



City of West University Place

A Neighborhood City

CITY COUNCIL

Susan Sample, Mayor
Wayne J. Franklin, Mayor Pro Tem
Bob Higley, Councilmember
Kellye Burke, Councilmember
Mardi Turner, Councilmember

STAFF

M. Christopher Peifer, City Manager
Alan Petrov, City Attorney
Thelma Gilliam, City Secretary

City Council Meeting Agenda

Notice is hereby given of a regular City Council meeting of West University Place to be held on **Monday, August 13, 2018** beginning at **6:30 p.m.** in the **Municipal Building** located at 3800 University Boulevard, West University Place, Texas, for the purpose of considering the following agenda items

Note: All agenda items are subject to action. The City Council reserves the right to meet in a closed session on any agenda item should the need arise and if applicable pursuant to authorization by Title 5, Chapter 551, of the Texas Government Code.

Call to Order
Pledge of Allegiance
Matters related to the notice of this meeting

Agenda items are as follows:

1. Public Comments

This is an opportunity for citizens to speak to Council relating to agenda and non-agenda items. If the topic the speaker wishes to address is on the agenda, the speaker can either speak at this time or defer his/her comments until such time the item is discussed. Speakers are advised that comments cannot be received on matters which are the subject of a public hearing once the hearing has been closed. Public comments must be kept relevant to the subject before the Council. The presiding officer shall rule on the relevance of comments. Persons making irrelevant, personal, impertinent, or slanderous remarks may be barred by the presiding officer from further comment before the Council during the meeting. Speakers are required to register in advance and must limit their presentations to three minutes each.

2. Benefits Consultants

Matters related to the selection of a consultant for services related to benefits for city employees. *Recommended Action: Discuss and take any desired action.* **Mr. James Urban, Human Resources Director** [see Agenda Memo 2]

3. National Flood Insurance Program (NFIP) – Community Rating System

Matters related to the City's participation in the NFIP's Community Rating System which provides discounts to qualifying policy holders. *Recommended Action: Discuss and take any desired action.* **Ms. Susan Sample, Mayor and Mr. Dave Beach, Assistant City Manager/Public Works Director** [see Agenda Memo 3]

4. Consent Agenda

All Consent Agenda items listed are considered to be routine by the City Council and will be enacted by one motion. There will be no separate discussion of these items unless a Council member requests in which event the item will be removed from the Consent Agenda and considered in its normal sequence on the agenda.

A. City Council Minutes

Approve City Council Action Minutes of July 25, 2018. *Recommended Action: Approve Minutes.* **Ms. Thelma Gilliam, City Secretary** [see Action Minutes]

B. Appointment of a Deputy Court Clerk

Matters related to appointing Emily Beard as a Deputy Court Clerk. *Recommended Action: Approve resolution appointing Emily Beard as a Deputy Court Clerk.* **Ms. Marie Kalka, Finance Director** [see Agenda Memo 4B]

C. Investment Policy

Matters related to a resolution reviewing and accepting the City's Investment Policy in accordance with the Public Funds Investment Act. *Recommended Action: Approve resolution accepting the City's Investment Policy in accordance with the Public Funds Investment Act.* **Mr. Harrison Nicholson, Treasurer** [see Agenda Memo 4C]

D. Interlocal Agreement with Harris-Galveston Subsidence District

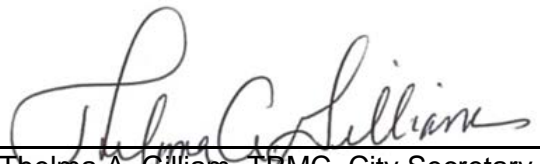
Matters related to an Interlocal Agreement with Harris-Galveston Subsidence District. *Recommended Action: Approve the Interlocal Agreement with Harris-Galveston Subsidence District.* **Mr. Dave Beach, Public Works Director** [see Agenda Memo 4D]

5. Adjourn

In compliance with the Americans with Disabilities Act, if you plan to attend this public meeting and you have a disability that requires special arrangements, please contact City Secretary Thelma Gilliam at 713.662.5813 at least 24 hours prior to the meeting so that reasonable accommodations can be made to assist in your participation in the meeting. The Council Chambers is wheel chair accessible from the west entrance and specially marked parking spaces are available in the southwest parking area. Special seating will be provided.

I certify that the attached notice and agenda of items to be considered by the West University Place City Council on August 13, 2018 was posted on the Municipal Building bulletin board on August 9, 2018 at approximately 3:00 o'clock p.m.

(SEAL)


Thelma A. Gilliam, TRMC, City Secretary

AGENDA MEMO
BUSINESS OF THE CITY COUNCIL
CITY OF WEST UNIVERSITY PLACE, TEXAS

AGENDA OF:	August 13, 2018	AGENDA ITEM:	2
DATE SUBMITTED:	August 9, 2018	DEPARTMENT:	City Administration
PREPARED BY:	James Urban, Human Resources Director	PRESENTER:	James Urban, Human Resources Director
SUBJECT:	Benefits Broker/Consulting Firm		
ATTACHMENTS:	None		
EXPENDITURE REQUIRED:	Dependent upon firm		
AMOUNT BUDGETED:	N/A		
ACCOUNT NO.:	N/A		
ADDITIONAL APPROPRIATION REQUIRED:	Dependent upon firm		
ACCOUNT NO.:	510-1000-74010		

EXECUTIVE SUMMARY

The Human Resources Department put together a request for qualifications to contract for a qualified vendor for employee benefits brokerage and consulting services. On May 9th, the request was sent out to 9 potential bidders and published as required by law. Respondents had until May 23rd to submit bid packages and three were received: Arthur J Gallagher Benefit Services, Inc.; Hub International/IPS Advisors; and Marsh & McLennan Agency.

Each proposal was vetted to determine whether they met the minimum needs of the organization. Each proposal met the qualifications set forth in the request and were presented to City Council. Gallagher and Hub/IPS presented in a workshop setting on July 9th, while Marsh and McLennan presented in the same format on July 23rd. Each bidder had an opportunity to present to council their proposal, expertise, knowledge, and allow for questions and answers. Presentations were limited to 30 minutes total, including time for questions and answers.

After all presentations, staff recommends discussion and selection of a firm to contract with and begin the process for benefits renewals for the 2018/2019 plan year. As part of the process, I did reach out to references and did some background information on the presentations and the firms. Each firm presented a flat-rate pricing model for comparison purposes.

Arthur J. Gallagher Benefits

References included the City of Friendswood, City of Seguin, and the City of Webster. One reference noted that they do “what benefits us (Friendswood) more than their bottom line” and that they were very responsive. Another reference noted that that they have had a very good experience with them and that they have been “very successful with renewals and negotiation power,” noting that they experienced a rate reduction in FY 2018. The third reference mentioned their flexibility and responsiveness as areas of strength and noted that the team has been “invaluable to us” and their “knowledge is extremely beneficial.” The reference’s only recommendation for improvement would be define the scope of services, particularly as it relates to compensation, which is not currently a consideration of this RFQ process.

The company listed several similarly situated public clients on pages 46 and 47 of their proposal. Gallagher is our current consultant and has served in that capacity for over 10 years. Their proposal includes a flat fee basis of \$50,000 per year, with additional services available, if desired, detailed on page 44. Gallagher (158585630) currently holds an agency designation as Life and Health Insurance Counselor (LHIC) from the Texas Department of Insurance. Both Burke Sunday (1263668) and Robert Treacy (1308971) have individual designations as LHIC.

Hub International / IPS Advisors

References included Pearland, Seabrook, and Sugar Land. One reference noted that Brent Weegar “is their best attribute as he is very responsive and attentive.” The reference noted that their area of improvement would be that the account executive was not as responsive, but otherwise great. A second reference noted that “IPS is very open and honest” and that “bad news is presented well with options.” The third reference noted that their best attribute was analysis of numbers and that they were very accurate. The reference also mentioned that as far as areas they (IPS) could improve was that they “need a stronger Houston presence”, that Brian Wilson is great to work with but reaching the main office might be difficult.

Hub/IPS listed additional current clients in their presentation to City Council, which included other similar public entities. Hub International acquired the assets of IPS Advisors in February of 2018. Hub International (1793967) currently holds an agency LHIC designation, as does the acquired company IPS Advisors (1379448). The Hub/IPS proposal has a flat fee basis of \$34,500 annually with additional services costing additional on page 54 of their proposal. As an alternative option for compensation, the price could be set at \$27,500 with Hub/IPS receiving commissions from ancillary (non-medical) benefit plans.

Marsh and McLennan Agency

References included the City of Lubbock, Hill Country Holdings (dba Ashley Furniture), and The Saxton Group (dba McAlister’s Deli). One reference noted that they have great knowledge for what they do and can offer anything requested. A second reference mentioned that the company was very responsive and that “if they don’t know the answer, they do research” and that they are essentially an extension of the human resource office. The third reference stated their level of service was their best attribute and they were very happy with the services. They mentioned that Travis Sartain has a great team and that they are “not just in it for commission” and that they “care about our workforce.”

In the presentation, Marsh and McLennan listed Brownfield as a similar sized public entity their specific agency services. Travis Sartain (1711842) currently holds an individual LHIC designation. The Marsh and McLennan proposal has a flat fee basis of \$75,000 per year with additional options and costs listed on page 9 of their proposal.

RECOMMENDATION

Staff recommends that City Council take any desired action and award a contract for benefits brokerage and consulting services.

AGENDA MEMO
BUSINESS OF THE CITY COUNCIL
CITY OF WEST UNIVERSITY PLACE, TEXAS

AGENDA OF:	08/13/2018	AGENDA ITEM:	3
DATE SUBMITTED:	08/08/2018	DEPARTMENT:	Public Works
PREPARED BY:	D. Beach, ACM/PW Director	PRESENTER:	D. Beach, Assist. City Mgr. / PW Dir.
SUBJECT:	National Flood Insurance Program – Community Rating System		
ATTACHMENTS:	None		
EXPENDITURE REQUIRED:	\$14,700		
AMOUNT BUDGETED:	\$0.00		
ACCOUNT NO.:	N/A		
ADDITIONAL APPROPRIATION REQUIRED:	\$14,700		
ACCOUNT NO.:	100-0000-30003 (General Fund Reserves)		

EXECUTIVE SUMMARY

The Federal Emergency Management Agency (FEMA) Community Rating System (CRS) is a program which provides discounts to qualifying flood insurance premiums offered through the National Flood Insurance Program (NFIP). The goal of the CRS program is to (1) reduce and avoid flood damage to insurable property, (2) strengthen and support the insurance aspects for the NFIP, and (3) foster comprehensive floodplain management.

The CRS program ranks participating communities on a scale of 1 to 10 based upon activities the community has implemented to protect its citizens and structures from flooding. Within the current CRS program, there are 21 activities divided among the following four major sections:

- Public Information Activities
- Mapping & Regulations
- Flood Damage Reduction Activities
- Warning & Response

Due to the City being a built-out urban enclave, the highest rank that we believe can realistically achieve is Rank of 7. Policy discounts within the 100-year flood plain would range from \$41 (Rank 9) to \$123 (Rank 7) and \$82 (Rank 7 – 9) in all other areas. The total estimated savings among the premiums in force would range from \$31,000 (Rank 9) to \$77,700 (Rank 7).

The cost of the CRS application process is \$12,200 and \$2,500 for a Repetitive Loss Area Analysis for a total of \$14,700. The annual renewal cost is approximately \$900 per year.

The NFIP issues policies renewals in May and October of each year and in order for the discounts to be available, the CRS application would need to be completed by mid-November for May's policy renewals and mid-April for October's renewal. The application process can take between five (5) to seven (7) months and would need to begin no later than October of 2018 to meet the mid-April 2019 deadline.

There is currently no funding authorized for this project and would require a budget amendment authorized by the City Council from the General Fund Reserves.

RECOMMENDATION

Staff recommends the City Council authorize the following:

1. Appropriate \$14,700 from the General Fund Reserves to associated CRS application cost; and
2. Authorize the City Manager to complete the application process for the Community Rating System with FEMA.



The City of West University Place

A Neighborhood City

CITY COUNCIL

Susan Sample, Mayor
Wayne J. Franklin, Mayor Pro Tem
Bob Higley, Councilmember
Kellye Burke, Councilmember Mardi
Turner, Councilmember

STAFF

M. Chris Peifer, City Manager
Alan Petrov, City Attorney
Thelma Gilliam, City Secretary

DRAFT

CITY COUNCIL ACTION MINUTES

The City Council of the City of West University Place, Texas, met in a workshop and regular session on **Monday, July 23, 2018**, in the Municipal Building, 3800 University, West University Place, Texas beginning at approximately **6:00 p.m.**

Workshop Agenda was as follows:

Call to Order. Mayor Sample called the meeting to order at approximately 6:00 p.m. in the Bill Watson Conference Room. Council and Staff in attendance were: Councilmembers Higley, and Turner, City Manager Peifer, City Secretary Gilliam, and HR Director Urban. Mayor Pro Tem Franklin and Councilmember Burke were absent.

1. Citywide Employee Benefits Consultants

Matters related to hearing a presentation from the third and final consulting firm in regards to the City's Employee Benefits. **Mr. James Urban, Human Resources Director**

A representative from the third and final consulting firm, Marsh and McLennan Agency, was given thirty minutes to present their proposal to Council. The other two firms presented their proposals to Council in a Workshop at the July 9, 2018 City Council meeting.

No action taken.

Mayor Sample adjourned the workshop at approximately 6:30 p.m.

The Regular Meeting Agenda was as follows:

Called Meeting to Order. Mayor Sample called the meeting to order at approximately 6:35 p.m. in the Council Chambers. Council and Staff in attendance were: Councilmembers Higley and Turner, City Manager Peifer, City Attorney Petrov, City Secretary Gilliam, Police Chief Walker, Human Resources Director Urban, Finance Director Kalka, Treasurer Nicholson, Communications Director Jett, and General Services Superintendent Barrera. Mayor Pro Tem Franklin and Councilmember Burke were absent.

Pledge of Allegiance: Councilmember Turner led the Pledge.

Notice of Meeting: City Secretary Gilliam confirmed that the notice of the meeting was duly posted in accordance with the Texas Government Code, Chapter 551.

Regular Meeting Agenda items were as follows:

2. Public Comments

This was an opportunity for citizens to speak to Council relating to agenda and non-agenda items. Commenters were:

- Robert Grossman, 4103 Ruskin, spoke regarding the AT&T issue.
- Kevin Trautner, 6341 Belmont, spoke regarding third party lawn service hours.
- Alida Drewes, spoke regarding several issues, including, but not limited to, seniors tax exemptions.

3. Communications Director

Matters related to the introduction and confirmation of the City Manager's appointment of Communications Director Patricia Jett. *Recommended Action: Confirm appointment. Mr. M. Chris Peifer, City Manager*

Councilmember Higley moved to that Council concur with the appointment of Patti Jet to the position of Communications Director. Councilmember Turner seconded the motion. **MOTION PASSED.**

Ayes: Sample, Higley, Turner

Noes: None

Absent: Franklin, Burke

4. Investment Policy

Matters related to a resolution reviewing and accepting the City's Investment Policy in accordance with the Public Funds Investment Act. *Recommended Action: Approve resolution accepting the City's Investment Policy in accordance with the Public Funds Investment Act. Mr. Harrison Nicholson, Treasurer*

Mayor Sample had questions about the policy, so after discussion it was decided to postpone taking action on this item until the next meeting.

5. Underground Storage Tank

Matters related to awarding a bid for the removal and replacement/installation of a 10,000 gallon Underground Storage Tank. *Recommended Action: Approve contract with Steve's Installation in an amount not to exceed \$300,000 and authorize the City Manager to execute the contract for the removal and replacement of the 10,000 gallon underground storage tank. Mr. Gerardo Barrera, General Services Superintendent*

Councilmember Higley moved to authorize the city manager to execute the contract for the removal and replacement of the 10,000 gallon underground storage tank. Councilmember Turner seconded the motion. **MOTION PASSED.**

Ayes: Sample, Higley, Turner

Noes: None

Absent: Franklin, Burke

6. Consent Agenda

All Consent Agenda items listed are considered to be routine by the City Council and will be enacted by one motion. There will be no separate discussion of these items unless a Council member requests in which event the item will be removed from the Consent Agenda and considered in its normal sequence on the agenda.

A. City Council Minutes

Approve City Council Action Minutes of July 9, 2018. *Recommended Action: Approve Minutes.* **Ms. Thelma Gilliam, City Secretary**

B. Quarterly Investment Report

Matters related to receiving the City's Quarterly Investment Report. *Recommended Action: Receive and take any desired action.* **Mr. Harrison Nicholson, Treasurer**

Councilmember Higley moved to approve the Consent Agenda as presented. Councilmember Turner seconded the motion. **MOTION PASSED.**

Ayes: Sample, Higley, Turner

Noes: None

Absent: Franklin, Burke

7. Adjourn

With no other matters before Council, Councilmember Higley moved to adjourn the meeting at approximately 7:02 p.m. Councilmember Turner seconded the motion. **MOTION PASSED.**

Ayes: Sample, Higley, Turner

Noes: None

Absent: Franklin, Burke

Prepared by: Thelma A. Gilliam, TRMC, City Secretary

Council Approval Date

AGENDA MEMO
BUSINESS OF THE CITY COUNCIL
CITY OF WEST UNIVERSITY PLACE, TEXAS

AGENDA OF:	August 13, 2018	AGENDA ITEM:	4B
DATE SUBMITTED:	August 9, 2018	DEPARTMENT:	Finance/Municipal Court
PREPARED BY:	Thelma A. Gilliam City Secretary	PRESENTER:	Marie Kalka Finance Director
SUBJECT:	Appointment of a Deputy Court Clerk		
ATTACHMENTS:	Resolution Appointing Deputy Court Clerk		
EXPENDITURE REQUIRED:	N/A		
AMOUNT BUDGETED:	N/A		
ACCOUNT NO.:	N/A		
ADDITIONAL APPROPRIATION REQUIRED:	N/A		
ACCOUNT NO.:	N/A		

EXECUTIVE SUMMARY

Staff is requesting approval of a resolution appointing Emily Beard as Deputy Court Clerk of the City of West University Place. This appointment is primarily for the purpose of swearing in the police officers and signing the formal court complaints after the officer signs. Without dispatchers serving as deputy court clerks, the officers would have to return to city hall during normal business hours for the Municipal Court Clerk to sign the complaints.

The qualifications for the Deputy Court Clerk are to have been employed by the City for at least six months, be able to administer an oath and cannot be a sworn officer.

RECOMMENDATION

Approve Resolution appointing Emily Beard as a Deputy Court Clerk of the City of West University Place.

AGENDA MEMO
BUSINESS OF THE CITY COUNCIL
CITY OF WEST UNIVERSITY PLACE, TEXAS

AGENDA OF:	August 13, 2018	AGENDA ITEM:	C
DATE SUBMITTED:	August 1, 2018	DEPARTMENT:	Finance
PREPARED BY:	Harrison Nicholson, Treasurer	PRESENTER:	Harrison Nicholson, Treasurer
SUBJECT:	Matters related to the West University Place Investment Policy		
ATTACHMENTS:	<ol style="list-style-type: none">1. Resolution Approving the Investment Policy – with Attachment “A” – The West University Place Investment Policy – Final2. WUP Investment Policy – Redlined Version		
EXPENDITURE REQUIRED:	N/A		
AMOUNT BUDGETED:	N/A		
ACCOUNT NO.:	N/A		
ADDITIONAL APPROPRIATION REQUIRED:	N/A		
ACCOUNT NO.:	N/A		

EXECUTIVE SUMMARY

From time-to-time, as needed, or at least annually, the West University Place Investment Policy (the “Investment Policy”) should be updated, reviewed and approved by the City Council. The Investment Policy was last reviewed and approved on June 12, 2017.

Due to a position title change in the Finance department, the Investment Policy was revised and updated in Exhibits A and B.

- **Exhibit A: Authorized Investment Officials** – The title of Controller was changed to Fiscal Services Officer.
- **Exhibit B: Statement of Ethics and Conflict of Interest** – The title of Controller was also changed here in Exhibit B to Fiscal Services Officer.

RECOMMENDATION

Approve the resolution adopting changes to the West University Place Investment Policy.

City of West University Place
Harris County, Texas

RESOLUTION NO. XXXX-XX

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WEST UNIVERSITY PLACE, TEXAS, REVIEWING AND ACCEPTING THE CITY OF WEST UNIVERSITY PLACE'S INVESTMENT POLICY IN ACCORDANCE WITH THE PUBLIC FUNDS INVESTMENT ACT; ALL MATTERS RELATED THERETO; AND PROVIDING FOR THE EFFECTIVE DATE THEREOF.

WHEREAS, the City of West University Place, Texas, established policies and procedures for the investment of funds on March 21, 1988 by Resolution Number 88-03; and

WHEREAS, in 1995 and 2009 through 2016, the City Council amended the City's Investment Policy to incorporate amendments according to the Public Funds Investment Act, including improved management of the City's investments and reflecting any organizational changes; and

WHEREAS, Texas Government Code, Section 2256.005(e) requires that the Investment Policy shall be made in accordance with written policies approved, at least annually, by the governing body; and

WHEREAS, investment policies must address safety of principal, liquidity, yield, diversification and maturity, with primary emphasis on safety of principal; **NOW THEREFORE**,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF WEST UNIVERSITY PLACE, TEXAS:

Section 1. That the City Council of West University Place, Texas, has reviewed the City's Investment Policy and Investment Strategies and the policy and strategies adopted in Section 2 hereof records any changes made by the City Council to such document.

Section 2. That the City Council of the City of West University Place, Texas, hereby adopts the Investment Policy, including the Investment Strategies, of the City of West University Place, which is attached hereto as Attachment - A and incorporated herein for all intents and purposes.

Section 3. This Resolution shall take effect immediately from and after its passage by the City Council of the City of West University Place, Texas.

INTRODUCED, READ and PASSED, by the affirmative vote of the City Council of the City of West University Place, Texas, this the ____ day of _____, 20__.

Attest: _____
City Secretary (Seal)

Signed: _____
Mayor

Recommended:

City Manager

Approved as to legal form:

City Attorney

ATTACHMENT – A

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***CITY OF WEST UNIVERSITY
PLACE, TEXAS
INVESTMENT POLICY***



August 13, 2018

City of West University Place Investment Policy

Table of Contents

I.	Policy	1
II.	Purpose	1
III.	Scope	1
IV.	General Objectives	
	A. Safety	2
	B. Liquidity	2-3
	C. Public Trust	3
	D. Yield	3
V.	Standards of Care	
	A. Prudence	3
	B. Ethics and Conflicts of Interest	4
	C. Delegation of Authority	4
	D. Training	4-5
	E. Internal Controls	5
VI.	Safekeeping and Custody	
	A. Authorized Financial Dealers and Institutions	5-6
	B. Competitive Bids	6
	C. Delivery vs. Payment	6
VII.	Suitable and Authorized Investments	
	A. Eligible Investments	6-7
	B. Collateralization	7
	C. Existing Investments	8
VIII.	Investment Parameters	
	A. Diversification	8
	B. Maximum Maturities	8
IX.	Investment Strategies	8-9
X.	Reporting	
	A. Methods	9
	B. Performance Standards	9
	C. Marking to Market	9
 EXHIBITS		
A –	Authorized Investment Officials	10
B –	Statement of Ethics and Conflicts of Interest	11
C –	Approved Brokers/Dealers, Financial Institutions and Investment Pools	12
D –	Certification by Business Organization	13
E –	Investment Strategies	14-18
 Glossary		19-27

I. Policy

It is the policy of the City of West University Place (the “City”) to administer and invest its funds in a manner that will preserve the principal, maintain liquidity, and optimize interest earnings while meeting the daily cash flow requirements of the City. The City will conform to all federal, state and local statutes, rules and regulations governing the investment of the City’s funds. This Policy sets forth the investment program of the City and the guidelines to be followed in achieving its objectives.

The City’s policy is to hold investments to maturity; however, securities may be sold in order to minimize the potential loss of principal on a security whose credit quality has declined; or to meet unanticipated liquidity needs of the City.

Not less than annually, City Council shall adopt a written instrument by resolution stating that it has reviewed the Investment Policy and investment strategies and that the written instrument so adopted shall record any changes made to the Investment Policy or investment strategies.

II. Purpose

The purpose of this policy is to comply with Chapter 2256 of the Texas Government Code (“Public Funds Investment Act” or “PFIA” or “Act”), which requires each entity to adopt a written investment policy regarding the investment of its funds and funds under its control. The investment policy addresses the methods, procedures and practices that must be exercised to ensure effective and judicious fiscal management of the entity’s funds.

III. Scope

This investment policy applies to all funds and investments of the City. These funds are accounted for in the City's **Comprehensive Annual Financial Report** and include all funds managed by the City, including but not limited to tax revenues, charges for services, bond proceeds, interest income, loans and funds received by the City where the City performs a custodial function. However, this policy does not apply to the assets administered for the benefit of the City by outside agencies under deferred compensation programs or other retirement programs.

The City will consolidate cash balances from all funds to maximize investment earnings, (except as otherwise required by covenants in bond ordinances, credit agreements as defined in V.T.C.A., Government Code § 1371.001 or other applicable regulations). Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

IV. General Objectives

The primary objectives, in priority order, of the City's investment activities shall be safety, liquidity, and yield:

- A. **Safety** – Safety of the principal is the primary objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital for the overall portfolio. The objective will be to minimize credit risk and interest rate risk.
- i. **Credit Risk and Concentration of Credit Risk** – The City will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, and concentration of credit risk, the risk of loss attributed to the magnitude of investment in a single issuer, by:
- Limiting investments to the types listed in Section VII (“Suitable and Authorized Investments”) of this Policy,
 - Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business in accordance to Section VI.A (“Authorized Financial Dealers and Institutions”), and;
 - Diversifying the investment portfolio so that potential losses on individual securities will be minimized.
- ii. **Interest Rate Risk** – The City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by:
- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity,
 - Investing operating funds primarily in shorter-term securities, money market funds that seek a stable \$1.00 price per share or stable \$1.00 net asset value (NAV) to avoid potential liquidity fees or redemption gates, or similar local government investment pools, limiting the weighted average maturity of the portfolio in accordance with Section IX (“Investment Strategies”), and;
 - Diversify maturities and stagger purchase dates to minimize the impact of market movements over time in accordance with Section VIII (“Investment Parameters”).
- B. **Liquidity** – The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands. Furthermore,

since all possible cash demands cannot be anticipated, a portion of the portfolio will be invested in money market funds that seek a stable \$1.00 NAV or local government investment pools that offer same-day liquidity for short-term funds. Additionally, a portion of the portfolio will consist of securities with active secondary or resale markets.

- C. **Public Trust** – All participants in the City’s investment process shall seek to act responsibly as custodians of the public trust. Investment Officers shall at all times be cognizant of the standard of care and investment objectives and shall avoid any transaction that might impair public confidence in the City’s ability to govern effectively.
- D. **Yield** – The investment portfolio shall be designed with the objective of attaining a market rate of return, throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs of the portfolio. Return on investment is of least importance compared to the safety and liquidity objectives described above. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall not be sold prior to maturity with the following exceptions:
- A security with declining credit may be sold early to minimize loss of principal
 - Liquidity needs of the portfolio require that the security be sold

V. Standards of Care

- A. **Prudence** - The standard of prudence to be used by investing officers or designated investing officials shall be the "**prudent person**" rule. This rule states that “Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.” The determination of whether an investing official has exercised prudence with respect to an investment decision shall be applied in the context of managing an overall portfolio rather than a consideration as to the prudence of a single investment.

Investment Officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that deviations from expectations are reported in a timely fashion and appropriate action is taken to control unfavorable developments.

- B. **Ethics and Conflicts of Interest** Investment Officer(s) and employees involved in the investment process agree to refrain from personal business activity that could conflict with proper execution and management of the investment program, or that could impair their ability to make impartial investment decisions. Investment Officer(s) and Investment Official(s) shall agree to disclose to the City Council with said disclosure held on file within the Finance Department any conflicts of interests or personal business relationship with financial institutions that conduct business with the City. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. (See Exhibit B.)

A statement required under this subsection must be filed with the Texas Ethics Commission and the City Council if:

- a. The Investment Officer or Investment Official has a personal business relationship with a business organization offering to engage in an investment transaction with the City; or
- b. An Investment Officer or Investment Official who is related within the second degree by affinity or consanguinity, as determined under Chapter 573 of the Texas Government Code, to an individual seeking to transact investment business with the.

- C. **Delegation of Authority** - Authority to manage the City's investment program is granted to the Finance Director, hereinafter referred to as Investment Officer, and derived from the following: City Charter Article VII, Section 7.01c. Responsibility for the operation of the investment program is hereby delegated to the Investment Officer, who shall act in accordance with established procedures and internal controls for the operation of the investment program consistent with this investment policy. This policy includes explicit delegation of authority to persons responsible for investment transactions. (See Exhibit A) No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Investment Officer. The Investment Officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate activities of subordinate Investment Officials (Treasurer and Fiscal Services Officer).

- D. **Training** - Investment Officer(s) and persons authorized to execute investment transactions must complete at least 10 hours of investment training within 12 months of taking office or assuming duties, and shall attend an investment training session not less than once in a two year period and receive not less than eight (8) hours of training after the initial 10 hours of instruction relating to investment controls, security risks,

strategy risks, market risks, diversification of investment portfolio, and compliance with the Act. The City shall provide the training through courses and seminars offered by professional organizations and associations in order to insure the quality and capability of the City's investment personnel are in compliance with PFIA. Professional organizations and associations that may provide investment training including the Government Treasurer's Organization of Texas, the University of North Texas, the Government Finance Officers Association of Texas, Treasury Management Association, or the Texas Municipal League.

- E. **Internal Controls** - The Finance Director is responsible for establishing and maintaining an internal control structure designed to ensure that public funds of the entity are protected from loss, theft, or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (a) the cost of a control should not exceed the benefits likely to be derived and (b) the valuation of costs and benefits requires estimates and judgments by management. Therefore, the Finance Director shall establish a process for annual independent review by an external auditor during the annual audit to assure compliance with policies and procedures.

VI. Safekeeping and Custody

- A. **Authorized Financial Dealers and Institutions** –The Investment Officer or Investment Official(s) will maintain a list of financial institutions and security broker/dealers authorized to provide investment services (Exhibit C) to the City. This list shall be reviewed, revised as necessary and adopted at least annually. Investment Officers or Investment Official(s) shall not conduct business with any firm not approved by City Council. No public deposit shall be made except in a qualified public depository as established by state laws.

Those firms that request to become qualified bidders for securities transactions will be required to provide 1) information regarding creditworthiness, experience, references and reputation, and 2) a certification stating the firm has received, read and understood the City's investment policy and agree to comply with the policy. Authorized firms may include primary dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15C3-1 (Uniform Net Capital Rule), and qualified depositories. All investment providers, including financial institutions, banks, money market funds, and local government investment pools, must sign a certification acknowledging that the organization has received and reviewed the City's investment policy and that reasonable procedures and controls have been implemented to preclude

investment transactions that are not authorized by the City's policy. (See Exhibit D)

Should an approved institution merge with or be acquired by another while on the City's approved list, the new institution must agree to meet the same collateralization and certification requirements or will be removed from the approved list.

- B. **Competitive Bids** – The City's policy requires that at least three competitive bids or offers must be solicited for all individual security purchases and sales except for **a)** transactions with money market funds and local government investment pools (which are deemed to be made at prevailing market rates) and **b)** treasury and agency securities purchased at issuance through an approved broker/dealer or financial institution **c)** fully insured certificates of deposit placed in accordance with the conditions prescribed in Section 2256.010(b) of the Act. In situations where the exact security being offered is not offered by other dealers, offers on the closest comparable investment may be used to establish a fair market price for the security.
- C. **Delivery vs. Payment** – All trades with the exception of investment pools and money market funds will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds. Securities and collateral will be held in the City's name by a third-party custodian as evidenced by safekeeping receipts of the institution with which the securities are deposited.

VII. Suitable and Authorized Investments

- A. **Eligible Investments** – Funds of the City may be invested in the following instruments described below. All of these investments are authorized by the Public Funds Investment Act. Only those instruments listed in this section are authorized.
 - 1. Direct Obligations of the United States of America, its agencies and instrumentalities, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the United States or its respective agencies and instrumentalities.
 - 2. Other Obligations of the United States of America, its agencies and instrumentalities that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States.
 - 3. Certificates of Deposit issued by a depository institution that has

its main office or a branch in Texas. The certificate of deposit must be guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor and secured by obligations in a manner and amount as provided by law. In addition, certificates of deposit obtained through a depository institution that are fully collateralized under a pledge agreement approved by the City, are authorized investments.

4. No-load Money Market Funds that 1) are registered and regulated by the Securities and Exchange Commission, 2) have a dollar weighted average stated maturity of 90 days or less, 3) seek to maintain a stable net asset value of \$1.00 per share and 4) are rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service.
5. Local Government Investment Pools, authorized by a separate resolution, which meet the requirements of Chapter 2256.016 of the Public Funds Investment Act and are rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service. To become eligible, investment pools must be approved by City Council action. Investments will be made in a local government investment pool only after a thorough investigation of the pool, which shall at least annually be reviewed, revised and adopted.
6. Interest bearing checking accounts that are fully collateralized at 102% of the ledger balance.

- B. **Collateralization** – Collateralization will be required for all funds on deposit with a depository bank, other than investments in accordance with the requirements of this Policy and Chapter 2257, Governmental Code (Public Funds Collateral Act”) and Financial Institution Reform, Recovery, and Enforcement Act of 1989 (FIRREA). In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be one hundred and two percent (102%) of market value of principal and accrued interest on the deposits, less an amount insured by the FDIC.

Securities pledged as collateral will be held in the City’s name by an independent third party with whom the City has a current custodial agreement. The Finance Director is responsible for entering into collateralization agreements with third party custodians in compliance with this Policy. The collateralization agreements are to specify the acceptable investment securities for collateral, including provisions related to possession of the collateral, the substitution or release of investment securities, ownership of securities, and the method of valuation of securities. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the City and retained.

Collateral shall be reviewed at least quarterly to assure that the market value of the pledged securities is adequate.

Eligible collateral includes **a)** direct obligations of the United States or other obligations of the United States or other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the United States, **b)** direct debt obligations of an agency or instrumentality of the United States, **c)** direct debt obligations of states, agencies, counties, cities, and other political subdivisions of any state rate as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent. The City's Investment Officer or Investment Official(s) reserve(s) the right to accept or reject any form of collateral or enhancement at their sole discretion.

- C. **Existing Investments** – Any investment currently held that does not meet the guidelines of this policy, but was an authorized investment at the time of purchase, is not required to be liquidated; however, the City shall take all prudent measures consistent with this Investment Policy to liquidate an investment that does not or no longer qualifies as an authorized investment.

VIII. Investment Parameters

- A. **Diversification** – The investments shall be diversified by security type and institution. With the exception of U.S. Treasury securities, Government-sponsored enterprises (GSE's), interest-bearing checking accounts that are fully collateralized, and authorized local government pools, the City will diversify the entire portfolio to comply with the investment strategy. In no case shall any single investment transaction be more than twenty five-percent (25%) of the entire portfolio at the time of purchase of the security.
- B. **Maximum Maturities** – To the extent possible, the City shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than three (3) years from the date of purchase. The composite portfolio will have a weighted average maturity of 365 days or less. This dollar weighted average maturity will be calculated using the stated final maturity date(s) of each security.

IX. Investment Strategies

The City maintains separate portfolios for individual funds or groups of funds that are managed according to the terms of this Policy and the corresponding investment strategies listed in Exhibit E. The investment strategy for portfolios established after the annual Investment Policy review and adoption will be managed in accordance with the terms of this Policy and applicable

agreements until the next annual review, when a specific strategy will be adopted.

The City maintains a pooled fund group that is an aggregation of the majority of City funds including tax receipts, enterprise fund revenues, fine and fee revenues, as well as some, but not all, bond proceeds, and grants. This portfolio is maintained to meet anticipated daily cash needs for City operations, capital projects and debt service. The objectives of this portfolio are to ensure safety of principal; ensure adequate investment liquidity; limit market and credit risk through diversification; and attain a market rate of return in accordance with the objectives and restrictions set for in this Policy.

X. Reporting

- A. **Methods** – The Investment Officer shall prepare an investment report at least quarterly, including a management summary that provides an analysis of the status of the current investment portfolio and transactions made over the last quarter. This management summary will be prepared in a manner consistent with the requirements of Section 2256.023 (Internal Management Reports) of the PFIA, and that will allow the City to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report should be provided to the City Council.

An independent auditor shall formally review the reports prepared under this section at least annually, and that auditor shall report instances of non-compliance to City Council in the annual audit management letter.

- B. **Performance Standards** – The investment portfolio shall be managed in accordance with the objectives specified in this policy (safety, liquidity, and yield). The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. The Investment Officer shall determine whether market yields are being achieved by comparing the portfolio market yield to the three (3) month U.S. Treasury Bill, the six (6) month U.S. Treasury Bill and the two (2) year U.S. Treasury Note.
- C. **Marking to Market** – The market value of the portfolio shall be calculated at least monthly and a statement of the market value of the portfolio shall be issued at least monthly. The market value of each investment shall be obtained from a source such as the Wall Street Journal, or a reputable brokerage firm, or security pricing service, and reported on the investment reports.

EXHIBIT A

**City of West University Place
Authorized Investment Officer and Investment Officials**

Finance Director – Investment Officer

Treasurer – Investment Official

Fiscal Services Officer – Investment Official

EXHIBIT B

City of West University Place Statement of Ethics and Conflicts of Interest

Investment Officer(s) and designated Investment Official(s) for the City of West University Place shall refrain from personal business relationships with business organizations that could conflict with the proper execution of the investment program, or which could impair their ability to make partial investment decisions. This would only apply to personal business relationships with business organizations that have been approved by City Council to conduct investment transactions with the City of West University Place.

An Investment Official or Investment Officer is considered to have a personal business relationship with a business organization if:

- (1) The Investment Official or Investment Officer owns 10 percent or more of the voting stock or shares of the business organization, or owns \$5,000 or more of the fair market value of the business.
- (2) Funds received by the Investment Official or Investment Officer from the business organization exceed 10 percent of the Investment Official's gross income for the previous year.
- (3) The Investment Official or Investment Officer has acquired from the business organization during the previous year investments with a book value of \$2,500 or more for the personal account of the Investment Official.

- ☐ I do hereby certify that I do **not** have a personal business relationship with any business organization approved to conduct investment transactions with the City of West University Place, nor am I related within the second degree by affinity or consanguinity, as determined under Chapter 573 of the Texas Government Code, to an individual seeking to sell an investment to the City of West University Place as of the date of this statement.
- ☐ I do hereby certify that I **do** have a personal business relationship with a business organization approved to conduct investment transactions with the City of West University Place, and/or I am related within the second degree by affinity or consanguinity, as determined under Chapter 573 of the Texas Government Code, to an individual seeking to sell an investment to the City of West University Place as of the date of this statement, and willfully remove myself from any activities or areas of professional conduct that would cause a perception of ethical conflict and acknowledge that I am required to disclose said relation to the City Council and Texas Ethics Commission.

City of West University Place
Investment Officer/Official(s)

Finance Director/Officer

Date

Treasurer/Official

Date

Fiscal Services Officer/Official

Date

EXHIBIT C

**City of West University Place
Approved Broker/Dealers, Financial Institutions and Investment Pools**

Broker/Dealers

Cantor Fitzgerald & Company
FTN Financial (formerly “Coastal Securities”)
Hilltop Securities (formerly “FirstSouthwest Company”) Multi-
Bank Securities
Wells Fargo Securities LLC

Public Depositories

JP Morgan Chase, NA (Primary)

Local Government Investment Pools

TexPool

EXHIBIT D

**City of West University Place
Certification by Business Organization**

(date)

City of West University Place, Texas
(Attn: Designated Investment Official)
3800 University Blvd.
West University Place, TX 77005

Dear Mr/s. (Investment Official):

This certification is executed on behalf of the City of West University Place, Texas (the Investor) and _____ (the Business Organization), pursuant to the Public Funds Investment Act, Chapter 2256, Texas Government Code, (the Act) in connection with investment transactions conducted between the Investor and the Business Organization.

The undersigned Registered Principal or authorized representative of the Business Organization hereby certifies on behalf of the Business Organization that:

1. The undersigned is a Registered Principal or authorized representative of the Business Organization offering to enter an investment transaction with the Investor (Note: as such terms are used in the Public Funds Investment Act, chapter 2256, Texas Local Government Code) and;
2. The Registered Principal or authorized representative of the Business Organization has received and reviewed the Investment Policy furnished by the Investor and;
3. The Registered Principal or authorized representative of the Business Organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the Business Organization and the Investor that are not authorized by the Investor's investment policy, except to the extent that this authorization is dependent on an analysis of the makeup of the investor's entire portfolio or requires and interpretation of the subjective investment standards.

**Registered Principal or
authorized representative**

Broker Assigned to the Account

Signed By: _____

Printed Name _____

Title _____

Date _____

EXHIBIT E

INVESTMENT STRATEGIES

The City of West University's investment portfolio will be designed and managed to ensure that it will meet all the requirements established by the City of West University's investment policy and the Public Funds Investment Act. The overall investment strategy outlined in the investment policy has been further refined in this investment strategy statement by the following fund types.

Operating Funds:

Operating Funds generally have greater cash flow needs than other funds types. The operating fund portfolio may consist of any approved investment type with the understanding that the financial requirements of the operating funds will dictate the maturity dates of the investment. Of utmost importance is the preservation and safety of the investment principal.

Additionally, each investment will be viewed for its liquidity and marketability of the investment if the need arises to liquidate the investment before maturity. The final determining factors for the investment strategy will be the diversification of the investment portfolio and the yield of the investment.

To achieve short-term needs of one (1) to one hundred and eighty (180) days, funds will be invested in approved investment pools. For longer-term needs of six (6) months to three (3) years, funds will be invested in approved investments with objectives prioritized as follows:

- 1) understanding the suitability of the investment to the financial requirements of the City of West University Place;
- 2) preservation and safety of principal;
- 3) liquidity;
- 4) marketability of the investment if the need arises to liquidate the investment before maturity;
- 5) diversification of the investment portfolio; and
- 6) yield.

INVESTMENT STRATEGIES (Continued)

Debt Service Funds:

The debt service requirements are usually semi-annual, thus allowing the investment strategy to mirror debt obligation payment dates. The strategy for debt service funds allows greater flexibility since the actual requirements are known into the future. Investments will still meet the adopted policies; however, planning maturity dates to match debt requirement dates will be the primary objective.

The investment instruments will be invested primarily in approved investment types with maturities at six (6) or twelve (12) months established to match debt requirement dates. Shorter-term investment may be used to meet these objectives and longer-term investments may be used when fund balance reserves exceed one year's debt service requirements.

To achieve this strategy the following objectives are prioritized to evaluate investment opportunities:

- 1) understanding the suitability of the investment to the financial requirements of the City of West University Place;
- 2) preservation and safety of principal;
- 3) yield;
- 4) marketability of the investment if the need arises to liquidate the investment before maturity;
- 5) diversification of the investment portfolio; and
- 6) liquidity.

INVESTMENT STRATEGIES (Continued)

Capital Improvement Funds:

Bond proceeds can be invested over the life of the project; however, the exact disbursement of the funds is not always known. The investment objective of the capital improvement funds is to schedule maturities to maximize investment earnings while preserving principle. The key to an effective strategy is to be aware of the project needs and match maturities to the period funds are needed.

The investment objective for capital projects funds is still to match investment maturities with funding needs. As short-term needs are recognized, investment maturities will be moved into approved investment pools to meet financial requirements. Longer-term needs will be invested with the following objectives as prioritized for capital improvement funds:

- 1) understanding the suitability of the investment to the financial requirements of the City of West University Place;
- 2) preservation and safety of principal;
- 3) diversification of the investment portfolio;
- 4) yield;
- 5) liquidity; and
- 6) marketability of the investment if the need arises to liquidate the investment before maturity.

INVESTMENT STRATEGIES(Continued)

Reserve Funds:

Certain reserve funds have been established as required by bond covenants. The investment objective is to invest reserve funds to the extent that maturities are established to the limit of the investment policy or to the end of the bond requirements whichever is shorter.

The overall investment strategy for reserve funds will not rely on investment pools; however, the use of pools is not prohibited. Longer-term investment objectives are prioritized as follows:

- 1) understanding the suitability of the investment to the financial requirements of the City of West University Place;
- 2) diversification of the investment portfolio;
- 3) preservation and safety of principal;
- 4) yield;
- 5) liquidity; and
- 6) marketability of the investment if the need arises to liquidate the investment before maturity.

INVESTMENT STRATEGIES (Continued)

Investment Pool:

The City's Investment Pool is an aggregation of the majority of City funds, which includes tax receipts, enterprise fund revenues, fine and fee revenues, and grants. This portfolio is maintained to meet anticipated daily cash needs for the City operations, capital projects and debt service.

- 1) understanding the suitability of the investment to the financial requirements of the City of West University Place;
- 2) diversification of the investment portfolio;
- 3) preservation and safety of principal;
- 4) yield;
- 5) liquidity; and
- 6) marketability of the investment if the need arises to liquidate the investment before maturity.

GLOSSARY

ACCRETION OF DISCOUNT: Periodic straight-line increases in the book or carrying value of a security so the amount of the purchase price discount below face value is completely eliminated by the time the bond matures or by the call date, if applicable.

ACCRUED INTEREST: The interest accumulated on a security from its issue date or since the last payment of interest up to but not including the purchase date. The purchaser of the security pays to the seller the market price plus accrued interest.

AMORTIZATION OF PREMIUM: Periodic straight-line decreases in the book or carrying value of a security so the premium paid for a bond above its face value or call price is completely eliminated.

ASK: The price at which securities are offered by sellers.

BARBELL MATURITY STRATEGY: A maturity pattern within a portfolio in which maturities of the assets in the portfolio are concentrated in both the short and long ends of the maturity spectrum.

BASIS POINT: One one-hundredth (1/100) of one percent; 0.0001 in decimal form.

BENCHMARK: A comparative base for performance evaluation. A benchmark can be a broad-based bond index, a customized bond index, or a specific objective.

BID: The price offered for securities by purchasers. (When selling securities, one asks for a bid.)

BOND EQUIVALENT YIELD: Used to compare yields available from discounted securities that pay interest at maturity with yields available from securities that pay interest semi-annually.

BOOK ENTRY SECURITIES: Stocks, bonds, other securities, and some certificates of deposit that are purchased, sold, and held as electronic computer entries on the records of a central holder. These securities are not available for purchase in physical form; buyers get a receipt or confirmation as evidence of ownership.

BOOK VALUE: The original cost of the security as adjusted for amortization of any premium paid or accretion of discount since the date of purchase.

BROKER: A party who brings buyers and sellers together. Brokers do not take ownership of the property being traded. They are compensated by commissions. They are not the same as dealers; however, the same firms that act as brokers in some transactions may act as dealers in other transactions.

CALLABLE BOND: A bond that the issuer has the right to redeem prior to maturity at a specified price. Some callable bonds may be redeemed on one call date while others may have multiple call dates. Some callable bonds may be redeemed at par while others can be redeemed only at a premium. Some callable bonds are step-up bonds that pay an initial coupon rate for the first period, and then the coupon rate increases for the following periods if the bonds are not called by the issuer.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a certificate. Large-denomination (over \$100,000) CD's are typically negotiable.

CODE: The Internal Revenue Code of 1986, as amended.

COLLATERAL: Securities, evidence of deposit or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COLLATERALIZED MORTGAGE OBLIGATION (CMO): A type of mortgage-backed security created by dividing the rights to receive the principal and interest cash flows from an underlying pool of mortgages in separate classes or tiers.

COMMERCIAL PAPER: Short-term unsecured promissory notes issued by corporations for a maturity specified by the buyer. It is used primarily by corporations for short-term financing needs at a rate which is generally lower than the prime rate.

CONFIRMATION: The document used to state in writing the terms of the trade which had previously been agreed to verbally.

COUPON RATE: The stated annual rate of interest payable on a coupon bond expressed as a percentage of the bond's face value.

CREDIT RISK: The risk that (1) the issuer is downgraded to a lower quality category and/or (2) the issuer fails to make timely payments of interest or principal.

CUSIP NUMBER: A nine-digit number established by the Committee on Uniform Securities Identification Procedures that is used to identify publicly traded securities. Each publicly traded security receives a unique CUSIP number when the security is issued.

CUSTODY: The service of an organization, usually a financial institution, of holding (and reporting) a customer's securities for safekeeping. The financial institution is known as the custodian.

DEALER: A firm which buys and sells for its own account. Dealers have ownership, even if only for an instant, between a purchase from one party and a sale to another party.

They are compensated by the spread between the price they pay and the price they receive. Dealers are not the same as brokers; however, the same firms which act as dealers in some transactions may act as brokers in other transactions.

DELIVERY VERSUS PAYMENT (DVP): The safest method of settling a trade involving a book entry security. In a DVP settlement, the funds are wired from the buyer's account and the security is delivered from the seller's account in simultaneous, interdependent wires.

DEPOSITORY TRUST COMPANY (DTC): An organization that holds physical certificates for stocks and bonds and issues receipts to owners. Securities held by DTC are immobilized so that they can be traded on a book entry basis.

DERIVATIVE: A security that derives its value from an underlying asset, group of assets, reference rate, or an index value. Some derivatives can be highly volatile and result in a loss of principal in changing interest rate environments.

DISCOUNT: The amount by which the price paid for a security is less than its face value.

DISCOUNT SECURITIES: Securities that do not pay periodic interest. Investors earn the difference between the discount issue price and the full face value paid at maturity.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns, to reduce risk inherent in particular securities.

DURATION: A sophisticated measure of the weighted average maturity of a bond's cash flow stream, where the present values of the cash flows serve as the weights.

ECONOMIC CYCLE (BUSINESS CYCLE): As the economy moves through the business cycle, interest rates tend to follow the levels of production, output, and consumption - rising as the economy expands and moves out of recession and declining after the economy peaks, contracts, and heads once again into recession.

EFFECTIVE MATURITY: The average maturity of a bond, given the potential for early call. For a non-callable bond, the final maturity date serves as the effective maturity. For a callable bond, the effective maturity is bounded by the first call date and the final maturity date; the position within this continuum is a function of the call price, the current market price, and the reinvestment rate assumed.

FACE VALUE: The principal amount due and payable to a bondholder at maturity; par value. Also, the amount on which coupon interest is computed.

FAIL: The event of a securities purchase or sale transaction not settling as intended by the parties.

FAIR VALUE: The amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that insures bank deposits.

FEDERAL FARM CREDIT BANKS (FFCB): A government-sponsored corporation that was created in 1916 and is a nationwide system of banks and associations providing mortgage loans, credit, and related services to farmers, rural homeowners, and agricultural and rural cooperatives. The banks and associations are cooperatively owned, directly or indirectly, by their respective borrowers. The Federal Farm Credit System is supervised by the Farm Credit Administration, an independent agency of the U.S. government. (See Government Sponsored Enterprise)

FEDERAL FUNDS: Monies within the Federal Reserve System representing a member bank's surplus reserve funds. Banks with excess funds may sell their surplus to other banks whose funds are below required reserve levels. Normally, Federal funds are employed in settling all government securities transactions. The Federal Funds Rate is the rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

FEDERAL HOME LOAN BANKS (FHLB): Government-sponsored wholesale banks (currently twelve regional banks) which lend funds and provide correspondent banking services to member commercial bank, thrift institutions, credit unions and insurance companies. The mission of the FHLBs is to liquefy the housing related assets of its members who must purchase stock in their district Bank. (See Government Sponsored Enterprises)

FEDERAL HOME LOAN MORTGAGE CORPORATION (FHLMC or "Freddie Mac"): A government-sponsored corporation that was created in July 1970, by the enactment of Title III of the Emergency Home Finance Act of 1970. Freddie Mac was established to help maintain the availability of mortgage credit for residential housing, primarily through developing and maintaining an active, nationwide secondary market in conventional residential mortgages. (See Government Sponsored Enterprises)

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA or Fannie Mae): FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae is a private stockholder-owned corporation. FNMA securities are highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest. (See Government Sponsored Enterprises)

FEDERAL OPEN MARKET COMMITTEE (FOMC): Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank presidents. The president of the New York Federal Reserve Bank is a permanent member while the other presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of government securities in the open market as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM: The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., twelve regional banks and about 5700 commercial banks that are members of the system.

FIXED-INCOME SECURITY: A financial instrument promising a fixed amount of periodic income over a specified future time span.

GOVERNMENT-SPONSORED ENTERPRISES (GSE's): Payment of principal and interest on securities issued by these corporations is not guaranteed explicitly by the U.S. government, however, most investors consider these securities to carry an implicit U.S. government guarantee. The debt is fully guaranteed by the issuing corporations. GSE's include: Farm Credit System, Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation, and Federal National Mortgage Association.

INSTRUMENTALITIES: See Government-Sponsored Enterprises

INTEREST RATE RISK: The risk that the general level of interest rates will change, causing unexpected price appreciations or depreciations.

LADDERED MATURITY STRATEGY: A maturity pattern within a portfolio in which maturities of the assets in the portfolio are equally spaced. Over time, the shortening of the remaining lives of the assets provides a steady source of liquidity or cash flow. Given a normal yield curve with a positive slope this passive strategy provides the benefit of being able to take advantage of the higher, longer-term yields without sacrificing safety or liquidity.

LIQUIDITY: An entity's capacity to meet future monetary outflows (whether they are required or optional) from available resources. Liquidity is often obtained from reductions of cash or by converting assets into cash.

LIQUIDITY RISK: The risk that an investment will be difficult to sell at a fair market price in a timely fashion.

MARKET RISK: The risk that the value of a security will rise or decline as a result of changes in market conditions. It is that part of a security's risk that is common to all securities of the same general class (stocks and bonds) and thus cannot be eliminated by diversification; also known as systematic risk.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MARKING-TO-MARKET: The practice of valuing a security or portfolio according to its market value, rather than its cost or book value.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties to repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer to liquidate the underlying securities in the event of default by the seller.

MATURITY DATE: The date on which the principal or face value of an investment becomes due and payable.

MONEY MARKET INSTRUMENT: Generally, a short-term debt instrument that is purchased from a broker, dealer, or bank. Sometimes the term "money market" with "short-term", defines an instrument with no more than 12 months remaining from the purchase date until the maturity date. Sometimes the term "money market" is used more restrictively to mean only those instruments that have active secondary markets.

MORTGAGE-BACKED SECURITIES (MBS): Securities composed of, or collateralized by, loans that are themselves collateralized by liens on real property.

OFFER: The price asked by a seller of securities. (When purchasing securities, one asks for an offer.)

OPEN MARKET OPERATIONS: Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

OPPORTUNITY COST: The cost of pursuing one course of action measured in terms of the foregone return that could have been earned on an alternative course of action that was not undertaken.

PAR: See Face Value

PFIA OR ACT: The Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended.

POOLED FUND GROUP: An internally created fund of an investing entity in which one or more institutional accounts of the investing entity are invested (as defined by the Public Funds Investment Act).

PREMIUM: The amount by which the price paid for a security exceeds its face value.

PRIMARY DEALER: A group of government securities dealers that submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealers, banks, and a few unregulated firms.

PRINCIPAL: The face or par value of an instrument, exclusive of accrued interest.

PRUDENT PERSON RULE: An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the state. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

QUALIFIED REPRESENTATIVE: A person who holds a position with - and is authorized to act on behalf of - a business organization (as defined by the Public Funds Investment Act).

RATE OF RETURN: The amount of income received from an investment, expressed as a percentage. A market rate of return is the yield that an investor can expect to receive in the current interest-rate environment utilizing a buy-and-hold to maturity investment strategy.

REINVESTMENT RATE: The interest rate earned on the reinvestment of coupon payments.

REINVESTMENT RATE RISK: The risk that the actual reinvestment rate falls short of the expected or assumed reinvestment rate.

REPURCHASE AGREEMENT (RP or REPO): An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement of the first party to repurchase the securities at a specified price on demand or at a specified later date. The difference between the selling price and the repurchase price provides the interest income to the party that provided the funds. Every transaction where a security is sold under an agreement to be repurchased is a repo from the seller/borrower's point of view and a reverse repo from the buyer/lender's point of view.

REVERSE REPURCHASE AGREEMENT: (See Repurchase Agreement)

SAFEKEEPING: A procedure where securities are held by a third party acting as custodian for a fee.

SECONDARY MARKET: A market made for the purchase and sale of outstanding issues following the initial distribution.

SECURITIES AND EXCHANGE COMMISSION (SEC): Agency created by Congress to protect investors in securities transactions by administering securities legislation.

SECURITIES LENDING: The temporary transfer of securities by one party, the lender, to another, the borrower. The securities borrower is required to provide acceptable assets as collateral to the securities lender in the form of cash or other securities. If the borrower provides securities as collateral to the lender, it pays a fee to borrow the lent securities. If it provides cash as collateral, the lender pays interest to the borrower and reinvests the cash at a higher rate.

SEC RULE 15C3-1: See Uniform Net Capital Rule

STRUCTURED NOTES: Debt obligations whose principal or interest payments are determined by an index or formula.

SEPARATELY INVESTED ASSET: An account or fund of a state agency or local government that is not invested in a pooled fund group (as defined by the Public Funds Investment Act).

SPREAD: Most commonly used when referring to the difference between the bid and asked prices in a quote. Additionally, it may also refer to additional basis points that a non-Treasury security earns over and above a Treasury with a comparable maturity date.

STRIPS: Separation of the principal and interest cash flows due from any interest-bearing securities into different financial instruments. Each coupon payment is separated from the underlying investment to create a separate security. Each individual cash flow is sold at a discount. The amount of the discount and the time until the cash flow is paid determine the investor's return.

SWAP: The trading of one asset for another. Sometimes used in active portfolio management to increase investment returns by "swapping" one type of security for another.

TOTAL RETURN: Interest income plus capital gains (or minus losses) on an investment.

TREASURY BILLS: A non-interest bearing discount security issued by the U.S. Treasury, generally having initial maturities of 3 months, 6 months, or 1 year.

TREASURY BONDS: Long-term, coupon bearing U.S. Treasury securities having initial maturities of more than 10 years.

TREASURY NOTES: Intermediate-term, coupon bearing U.S. Treasury securities having initial maturities of 2 - 10 years.

UNIFORM NET CAPITAL RULE: Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called *net capital rule* and *net capital ratio*. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

YIELD TO MATURITY (YTM): The promised return assuming all interest and principal payments are made and reinvested at the same rate taking into account price appreciation (if priced below par) or depreciation (if priced above par).

***CITY OF WEST UNIVERSITY
PLACE, TEXAS
INVESTMENT POLICY***



August~~July 13-23~~, 2018

City of West University Place Investment Policy

Table of Contents

I. Policy	1
II. Purpose	1
III. Scope	1
IV. General Objectives	
A. Safety	2
B. Liquidity	2-3
C. Public Trust	3
D. Yield	3
V. Standards of Care	
A. Prudence	3
B. Ethics and Conflicts of Interest	4
C. Delegation of Authority	4
D. Training	4-5
E. Internal Controls	5
VI. Safekeeping and Custody	
A. Authorized Financial Dealers and Institutions	5-6
B. Competitive Bids	6
C. Delivery vs. Payment	6
VII. Suitable and Authorized Investments	
A. Eligible Investments	6-7
B. Collateralization	7
C. Existing Investments	8
VIII. Investment Parameters	
A. Diversification	8
B. Maximum Maturities	8
IX. Investment Strategies	8-9
X. Reporting	
A. Methods	9
B. Performance Standards	9
C. Marking to Market	9
EXHIBITS	
A – Authorized Investment Officials	10
B – Statement of Ethics and Conflicts of Interest	11
C – Approved Brokers/Dealers, Financial Institutions and Investment Pools	12
D – Certification by Business Organization	13
E – Investment Strategies	14-18
Glossary	19-27

I. Policy

It is the policy of the City of West University Place (the “City”) to administer and invest its funds in a manner that will preserve the principal, maintain liquidity, and optimize interest earnings while meeting the daily cash flow requirements of the City. The City will conform to all federal, state and local statutes, rules and regulations governing the investment of the City’s funds. This Policy sets forth the investment program of the City and the guidelines to be followed in achieving its objectives.

The City’s policy is to hold investments to maturity; however, securities may be sold in order to minimize the potential loss of principal on a security whose credit quality has declined; or to meet unanticipated liquidity needs of the City.

Not less than annually, City Council shall adopt a written instrument by resolution stating that it has reviewed the Investment Policy and investment strategies and that the written instrument so adopted shall record any changes made to the Investment Policy or investment strategies.

II. Purpose

The purpose of this policy is to comply with Chapter 2256 of the Texas Government Code (“Public Funds Investment Act” or “PFIA” or “Act”), which requires each entity to adopt a written investment policy regarding the investment of its funds and funds under its control. The investment policy addresses the methods, procedures and practices that must be exercised to ensure effective and judicious fiscal management of the entity’s funds.

III. Scope

This investment policy applies to all funds and investments of the City. These funds are accounted for in the City's **Comprehensive Annual Financial Report** and include all funds managed by the City, including but not limited to tax revenues, charges for services, bond proceeds, interest income, loans and funds received by the City where the City performs a custodial function. However, this policy does not apply to the assets administered for the benefit of the City by outside agencies under deferred compensation programs or other retirement programs.

The City will consolidate cash balances from all funds to maximize investment earnings, (except as otherwise required by covenants in bond ordinances, credit agreements as defined in V.T.C.A., Government Code § 1371.001 or other applicable regulations). Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

IV. General Objectives

The primary objectives, in priority order, of the City's investment activities shall be safety, liquidity, and yield:

- A. **Safety** – Safety of the principal is the primary objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital for the overall portfolio. The objective will be to minimize credit risk and interest rate risk.
- i. **Credit Risk and Concentration of Credit Risk** – The City will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, and concentration of credit risk, the risk of loss attributed to the magnitude of investment in a single issuer, by:
- Limiting investments to the types listed in Section VII ("Suitable and Authorized Investments") of this Policy,
 - Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business in accordance to Section VI.A ("Authorized Financial Dealers and Institutions"), and;
 - Diversifying the investment portfolio so that potential losses on individual securities will be minimized.
- ii. **Interest Rate Risk** – The City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by:
- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity,
 - Investing operating funds primarily in shorter-term securities, money market funds that seek a stable \$1.00 price per share or stable \$1.00 net asset value (NAV) to avoid potential liquidity fees or redemption gates, or similar local government investment pools, limiting the weighted average maturity of the portfolio in accordance with Section IX ("Investment Strategies"), and;
 - Diversify maturities and stagger purchase dates to minimize the impact of market movements over time in accordance with Section VIII ("Investment Parameters").
- B. **Liquidity** – The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands. Furthermore,

since all possible cash demands cannot be anticipated, a portion of the portfolio will be invested in money market funds that seek a stable \$1.00 NAV or local government investment pools that offer same-day liquidity for short-term funds. Additionally, a portion of the portfolio will consist of securities with active secondary or resale markets.

- C. **Public Trust** – All participants in the City’s investment process shall seek to act responsibly as custodians of the public trust. Investment Officers shall at all times be cognizant of the standard of care and investment objectives and shall avoid any transaction that might impair public confidence in the City’s ability to govern effectively.
- D. **Yield** – The investment portfolio shall be designed with the objective of attaining a market rate of return, throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs of the portfolio. Return on investment is of least importance compared to the safety and liquidity objectives described above. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall not be sold prior to maturity with the following exceptions:
- A security with declining credit may be sold early to minimize loss of principal
 - Liquidity needs of the portfolio require that the security be sold

V. Standards of Care

- A. **Prudence** - The standard of prudence to be used by investing officers or designated investing officials shall be the "**prudent person**" rule. This rule states that “Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.” The determination of whether an investing official has exercised prudence with respect to an investment decision shall be applied in the context of managing an overall portfolio rather than a consideration as to the prudence of a single investment.

Investment Officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that deviations from expectations are reported in a timely fashion and appropriate action is taken to control unfavorable developments.

- B. **Ethics and Conflicts of Interest** Investment Officer(s) and employees involved in the investment process agree to refrain from personal business activity that could conflict with proper execution and management of the investment program, or that could impair their ability to make impartial investment decisions. Investment Officer(s) and Investment Official(s) shall agree to disclose to the City Council with said disclosure held on file within the Finance Department any conflicts of interests or personal business relationship with financial institutions that conduct business with the City. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. (See Exhibit B.)

A statement required under this subsection must be filed with the Texas Ethics Commission and the City Council if:

- a. The Investment Officer or Investment Official has a personal business relationship with a business organization offering to engage in an investment transaction with the City; or
 - b. An Investment Officer or Investment Official who is related within the second degree by affinity or consanguinity, as determined under Chapter 573 of the Texas Government Code, to an individual seeking to transact investment business with the.
- C. **Delegation of Authority** - Authority to manage the City's investment program is granted to the Finance Director, hereinafter referred to as Investment Officer, and derived from the following: City Charter Article VII, Section 7.01c. Responsibility for the operation of the investment program is hereby delegated to the Investment Officer, who shall act in accordance with established procedures and internal controls for the operation of the investment program consistent with this investment policy. This policy includes explicit delegation of authority to persons responsible for investment transactions. (See Exhibit A) No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Investment Officer. The Investment Officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate activities of subordinate Investment Officials ([Treasurer and Fiscal Services Officer](#)).
- D. **Training** - Investment Officer(s) and persons authorized to execute investment transactions must complete at least 10 hours of investment training within 12 months of taking office or assuming duties, and shall attend an investment training session not less than once in a two year period and receive not less than eight (8) hours of training after the initial 10 hours of instruction relating to investment controls, security risks,

strategy risks, market risks, diversification of investment portfolio, and compliance with the Act. The City shall provide the training through courses and seminars offered by professional organizations and associations in order to insure the quality and capability of the City's investment personnel are in compliance with PFIA. Professional organizations and associations that may provide investment training including the Government Treasurer's Organization of Texas, the University of North Texas, the Government Finance Officers Association of Texas, Treasury Management Association, or the Texas Municipal League.

- E. **Internal Controls** - The Finance Director is responsible for establishing and maintaining an internal control structure designed to ensure that public funds of the entity are protected from loss, theft, or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (a) the cost of a control should not exceed the benefits likely to be derived and (b) the valuation of costs and benefits requires estimates and judgments by management. Therefore, the Finance Director shall establish a process for annual independent review by an external auditor during the annual audit to assure compliance with policies and procedures.

VI. Safekeeping and Custody

- A. **Authorized Financial Dealers and Institutions** -The Investment Officer or Investment Official(s) will maintain a list of financial institutions and security broker/dealers authorized to provide investment services (Exhibit C) to the City. This list shall be reviewed, revised as necessary and adopted at least annually. Investment Officers or Investment Official(s) shall not conduct business with any firm not approved by City Council. No public deposit shall be made except in a qualified public depository as established by state laws.

Those firms that request to become qualified bidders for securities transactions will be required to provide 1) information regarding creditworthiness, experience, references and reputation, and 2) a certification stating the firm has received, read and understood the [Entity's City's](#) investment policy and agree to comply with the policy. Authorized firms may include primary dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15C3-1 (Uniform Net Capital Rule), and qualified depositories. All investment providers, including financial institutions, banks, money market funds, and local government investment pools, must sign a certification acknowledging that the organization has received and reviewed the [Entity's City's](#) investment policy and that reasonable procedures and controls have been implemented to preclude

investment transactions that are not authorized by the ~~Entity's~~ City's policy. (See Exhibit D)

Should an approved institution merge with or be acquired by another while on the City's approved list, the new institution must agree to meet the same collateralization and certification requirements or will be removed from the approved list.

- B. **Competitive Bids** – The City's policy requires that at least three competitive bids or offers must be solicited for all individual security purchases and sales except for **a)** transactions with money market funds and local government investment pools (which are deemed to be made at prevailing market rates) and **b)** treasury and agency securities purchased at issuance through an approved broker/dealer or financial institution **c)** fully insured certificates of deposit placed in accordance with the conditions prescribed in Section 2256.010(b) of the Act. In situations where the exact security being offered is not offered by other dealers, offers on the closest comparable investment may be used to establish a fair market price for the security.
- C. **Delivery vs. Payment** – All trades with the exception of investment pools and money market funds will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds. Securities and collateral will be held in the City's name by a third-party custodian as evidenced by safekeeping receipts of the institution with which the securities are deposited.

VII. Suitable and Authorized Investments

- A. **Eligible Investments** – Funds of the City may be invested in the following instruments described below. All of these investments are authorized by the Public Funds Investment Act. Only those instruments listed in this section are authorized.

1. Direct Obligations of the United States of America, its agencies and instrumentalities, ~~and other obligations,~~ the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the United States or its respective agencies and instrumentalities, ~~including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States.~~

+2. Other Obligations of the United States of America, its agencies and instrumentalities that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States.

City of West University Place
Investment Policy

- 2.3. Certificates of Deposit issued by a depository institution that has its main office or a branch in Texas. The certificate of deposit must be guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor and secured by obligations in a manner and amount as provided by law. In addition, certificates of deposit obtained through a depository institution ~~which~~ that are fully collateralized under a pledge agreement approved by the City, are authorized investments.
- 3.4. No-load Money Market Funds that 1) are registered and regulated by the Securities and Exchange Commission, 2) have a dollar weighted average stated maturity of 90 days or less, 3) seek to maintain a stable net asset value of \$1.00 per share and 4) are rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service.
- 4.5. Local Government Investment Pools, authorized by a separate resolution, which meet the requirements of Chapter 2256.016 of the Public Funds Investment Act and are rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service. To become eligible, investment pools must be approved by City Council action. Investments will be made in a local government investment pool only after a thorough investigation of the pool, which shall at least annually be reviewed, revised and adopted.
- 5.6. Interest bearing checking accounts that are fully collateralized at 102% of the ledger balance.

- B. **Collateralization** – Collateralization will be required ~~for~~ on all funds on deposit with a depository bank, other than investments in accordance with the requirements of this Policy and Chapter 2257, Governmental Code (Public Funds Collateral Act”) and Financial Institution Reform, Recovery, and Enforcement Act of 1989 (FIRREA). In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be one hundred and two percent (102%) of market value of principal and accrued interest on the deposits, less an amount insured by the FDIC.

Securities pledged as collateral will be held in the City’s name by an independent third party with whom the City has a current custodial agreement. The Finance Director is responsible for entering into collateralization agreements with third party custodians in compliance with this Policy. The collateralization agreements are to specify the acceptable investment securities for collateral, including provisions related to possession of the collateral, the substitution or release of investment securities, ownership of securities, and the method of valuation of securities. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the City and retained. Collateral shall be reviewed at least quarterly to assure that the market

value of the pledged securities is adequate.

Eligible collateral includes ~~s~~ **a)** direct obligations of the United States or other obligations of the United States or other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the United States, **b)** direct debt obligations of an agency or instrumentality of the United States, **c)** direct debt obligations of states, agencies, counties, cities, and other political subdivisions of any state rate as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent. The City's Investment Officer or Investment Official(s) reserve(s) the right to accept or reject any form of collateral or enhancement at their sole discretion.

- C. **Existing Investments** – Any investment currently held that does not meet the guidelines of this policy, but ~~was an~~~~were~~ authorized investments at the time of purchase, is not required to be liquidated; however, the City shall take all prudent measures consistent with this Investment Policy to liquidate an investment that does not or no longer qualifies as an authorized investment.

VIII. Investment Parameters

- A. **Diversification** – The investments shall be diversified by security type and institution. With the exception of U.S. Treasury securities, Government-sponsored enterprises (GSE's), interest~~-~~bearing checking accounts that are fully collateralized, and authorized local government pools, the City will diversify the entire portfolio to comply with the investment strategy; ~~however, in~~ no case shall any single investment transaction be more than twenty five-percent (25%) of the entire portfolio at the time of purchase of the security.
- B. **Maximum Maturities** – To the extent possible, the City shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than three (3) years from the date of purchase. The composite portfolio will have a weighted average maturity of 365 days or less. This dollar weighted average maturity will be calculated using the stated final maturity date(s) of each security.

IX. Investment Strategies

The City maintains separate portfolios for individual funds or groups of funds that are managed according to the terms of this Policy and the corresponding investment strategies listed in Exhibit E. The investment strategy for portfolios established after the annual Investment Policy review and adoption will be managed in accordance with the terms of this Policy and applicable

agreements until the next annual review, when a specific strategy will be adopted.

The City maintains a pooled fund group that is an aggregation of the majority of City funds including tax receipts, enterprise fund revenues, fine and fee revenues, as well as some, but not all, bond proceeds, and grants. This portfolio is maintained to meet anticipated daily cash needs for City operations, capital projects and debt service. The objectives of this portfolio are to ensure safety of principal; ensure adequate investment liquidity; limit market and credit risk through diversification; and attain a market rate of return in accordance with the objectives and restrictions set for in this Policy.

X. Reporting

- A. **Methods** – The Investment Officer shall prepare an investment report at least quarterly, including a management summary that provides an analysis of the status of the current investment portfolio and transactions made over the last quarter. This management summary will be prepared in a manner consistent with the requirements of Section 2256.023 (Internal Management Reports) of the PFIA, and that will allow the City to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report should be provided to the City Council.

An independent auditor shall formally review the reports prepared under this section at least annually, and that auditor shall report instances of non-compliance to City Council in the annual audit management letter.

- B. **Performance Standards** – The investment portfolio shall be managed in accordance with the objectives specified in this policy (safety, liquidity, and yield). The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. The Investment Officer shall determine whether market yields are being achieved by comparing the portfolio market yield to the three (3) month U.S. Treasury Bill, the six (6) month U.S. Treasury Bill and the two (2) year U.S. Treasury Note.
- C. **Marking to Market** – The market value of the portfolio shall be calculated at least monthly and a statement of the market value of the portfolio shall be issued at least monthly. The market value of each investment shall be obtained from a source such as the Wall Street Journal, or a reputable brokerage firm, or security pricing service, and reported on the investment reports.

EXHIBIT A

**City of West University Place
Authorized Investment Officer and Investment Officials**

Finance Director – Investment Officer

Treasurer – Investment Official

Fiscal Services Officer – Investment Official

EXHIBIT B

City of West University Place Statement of Ethics and Conflicts of Interest

Investment Officer(s) and designated Investment Official(s) for the City of West University Place shall refrain from personal business relationships with business organizations that could conflict with the proper execution of the investment program, or which could impair their ability to make partial investment decisions. This would only apply to personal business relationships with business organizations that have been approved by City Council to conduct investment transactions with the City of West University Place.

An Investment Official or Investment Officer is considered to have a personal business relationship with a business organization if:

- (1) The Investment Official or Investment Officer owns 10 percent or more of the voting stock or shares of the business organization, or owns \$5,000 or more of the fair market value of the business.
- (2) Funds received by the Investment Official or Investment Officer from the business organization exceed 10 percent of the Investment Official's gross income for the previous year.
- (3) The Investment Official or Investment Officer has acquired from the business organization during the previous year investments with a book value of \$2,500 or more for the personal account of the Investment Official.

☐ I do hereby certify that I do not have a personal business relationship with any business organization approved to conduct investment transactions with the City of West University Place, nor am I related within the second degree by affinity or consanguinity, as determined under Chapter 573 of the Texas Government Code, to an individual seeking to sell an investment to the City of West University Place as of the date of this statement.

☐ I do hereby certify that I do have a personal business relationship with a business organization approved to conduct investment transactions with the City of West University Place, and/or I am related within the second degree by affinity or consanguinity, as determined under Chapter 573 of the Texas Government Code, to an individual seeking to sell an investment to the City of West University Place as of the date of this statement, and willfully remove myself from any activities or areas of professional conduct that would cause a perception of ethical conflict and acknowledge that I am required to disclose said relation to the City Council and Texas Ethics Commission.

City of West University Place
Investment Officer/Official(s)

Finance Director/Officer

Date

Treasurer/Official

Date

Fiscal Services Officer/Official

Date

EXHIBIT C

**City of West University Place
Approved Broker/Dealers, Financial Institutions and Investment Pools**

Broker/Dealers

Cantor Fitzgerald & Company
FTN Financial (formerly “Coastal Securities”)
Hilltop Securities (formerly “FirstSouthwest Company”) Multi-
Bank Securities
Wells Fargo Securities LLC

Public Depositories

JP Morgan Chase, NA (Primary)

Local Government Investment Pools

TexPool

City of West University Place
Investment Policy

EXHIBIT D

**City of West University Place
Certification by Business Organization**

(date)

City of West University Place, Texas
(Attn: Designated Investment Official)
3800 University Blvd.
West University Place, TX 77005

Dear Mr/s. (Investment Official):

This certification is executed on behalf of the City of West University Place, Texas (the Investor) and _____ (the Business Organization), pursuant to the Public Funds Investment Act, Chapter 2256, Texas Government Code, (the Act) in connection with investment transactions conducted between the Investor and the Business Organization.

The undersigned Registered Principal or authorized representative of the Business Organization hereby certifies on behalf of the Business Organization that:

1. The undersigned is a Registered Principal or authorized representative of the Business Organization offering to enter an investment transaction with the Investor (Note: as such terms are used in the Public Funds Investment Act, chapter 2256, Texas Local Government Code) and;
2. The Registered Principal or authorized representative of the Business Organization has received and reviewed the Investment Policy furnished by the Investor and;
3. The Registered Principal or authorized representative of the Business Organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the Business Organization and the Investor that are not authorized by the Investor's investment policy, except to the extent that this authorization is dependent on an analysis of the makeup of the investor's entire portfolio or requires and interpretation of the subjective investment standards.

**Registered Principal or
authorized representative**

Broker Assigned to the Account

Signed By: _____

Printed Name _____

Title _____

Date _____

EXHIBIT E

INVESTMENT STRATEGIES

The City of West University's investment portfolio will be designed and managed to ensure that it will meet all the requirements established by the City of West University's investment policy and the Public Funds Investment Act. The overall investment strategy outlined in the investment policy has been further refined in this investment strategy statement by the following fund types.

Operating Funds:

Operating Funds generally have greater cash flow needs than other funds types. The operating fund portfolio may consist of any approved investment type with the understanding that the financial requirements of the operating funds will dictate the maturity dates of the investment. ~~At~~^{Of} utmost importance is the preservation and safety of the investment principal.

Additionally, each investment will be viewed for its liquidity and marketability of the investment if the need arises to liquidate the investment before maturity. The final determining factors for the investment strategy will be the diversification of the investment portfolio and the yield of the investment.

To achieve short-term needs of one (1) to one hundred and eighty (180) days, funds will be invested in approved investment pools. For longer-term needs of six (6) months to three (3) years, funds will be invested in approved investments with objectives prioritized as follows:

- 1) understanding the suitability of the investment to the financial requirements of the City of West University Place;
- 2) preservation and safety of principal;
- 3) liquidity;
- 4) marketability of the investment if the need arises to liquidate the investment before maturity;
- 5) diversification of the investment portfolio; and
- 6) yield.

INVESTMENT STRATEGIES (Continued)

Debt Service Funds:

The debt service requirements are usually semi-annual, thus allowing the investment strategy to mirror debt obligation payment dates. The strategy for debt service funds allows greater flexibility since the actual requirements are known into the future. Investments will still meet the adopted policies; however, planning maturity dates to match debt requirement dates will be the primary objective.

The investment instruments will be invested primarily in approved investment types with maturities at six (6) or twelve (12) months established to match debt requirement dates. Shorter-term investment may be used to meet these objectives and longer-term investments may be used when fund balance reserves exceed one year's debt service requirements.

To achieve this strategy the following objectives are prioritized to evaluate investment opportunities:

- 1) understanding the suitability of the investment to the financial requirements of the City of West University Place;
- 2) preservation and safety of principal;
- 3) yield;
- 4) marketability of the investment if the need arises to liquidate the investment before maturity;
- 5) diversification of the investment portfolio; and
- 6) liquidity.

INVESTMENT STRATEGIES (Continued)

Capital Improvement Funds:

Bond proceeds can be invested over the life of the project; however, the exact disbursement of the funds is not always known. The investment objective of the capital improvement funds is to schedule maturities to maximize investment earnings while preserving principle. The key to an effective strategy is to be aware of the project needs and match maturities to the period funds are needed.

The investment objective for capital projects funds is still to match investment maturities with funding needs. As short-term needs are recognized, investment maturities will be moved into approved investment pools to meet financial requirements. Longer-term needs will be invested with the following objectives as prioritized for capital improvement funds:

- 1) understanding the suitability of the investment to the financial requirements of the City of West University Place;
- 2) preservation and safety of principal;
- 3) diversification of the investment portfolio;
- 4) yield;
- 5) liquidity; and
- 6) marketability of the investment if the need arises to liquidate the investment before maturity.

INVESTMENT STRATEGIES(Continued)

Reserve Funds:

Certain reserve funds have been established as required by bond covenants. The investment objective is to invest reserve funds to the extent that maturities are established to the limit of the investment policy or to the end of the bond requirements whichever is shorter.

The overall investment strategy for reserve funds will not rely on investment pools; however, the use of pools is not prohibited. Longer-term investment objectives are prioritized as follows:

- 1) understanding the suitability of the investment to the financial requirements of the City of West University Place;
- 2) diversification of the investment portfolio;
- 3) preservation and safety of principal;
- 4) yield;
- 5) liquidity; and
- 6) marketability of the investment if the need arises to liquidate the investment before maturity.

INVESTMENT STRATEGIES (Continued)

Investment Pool:

The City's Investment Pool is an aggregation of the majority of City funds, which includes tax receipts, enterprise fund revenues, fine and fee revenues, and grants. This portfolio is maintained to meet anticipated daily cash needs for the City operations, capital projects and debt service.

- 1) understanding the suitability of the investment to the financial requirements of the City of West University Place;
- 2) diversification of the investment portfolio;
- 3) preservation and safety of principal;
- 4) yield;
- 5) liquidity; and
- 6) marketability of the investment if the need arises to liquidate the investment before maturity.

GLOSSARY

ACCRETION OF DISCOUNT: Periodic straight-line increases in the book or carrying value of a security so the amount of the purchase price discount below face value is completely eliminated by the time the bond matures or by the call date, if applicable.

ACCRUED INTEREST: The interest accumulated on a security from its issue date or since the last payment of interest up to but not including the purchase date. The purchaser of the security pays to the seller the market price plus accrued interest.

AMORTIZATION OF PREMIUM: Periodic straight-line decreases in the book or carrying value of a security so the premium paid for a bond above its face value or call price is completely eliminated.

ASK: The price at which securities are offered by sellers.

BARBELL MATURITY STRATEGY: A maturity pattern within a portfolio in which maturities of the assets in the portfolio are concentrated in both the short and long ends of the maturity spectrum.

BASIS POINT: One one-hundredth (1/100) of one percent; 0.0001 in decimal form.

BENCHMARK: A comparative base for performance evaluation. A benchmark can be a broad-based bond index, a customized bond index, or a specific objective.

BID: The price offered for securities by purchasers. (When selling securities, one asks for a bid.)

BOND EQUIVALENT YIELD: Used to compare yields available from discounted securities that pay interest at maturity with yields available from securities that pay interest semi-annually.

BOOK ENTRY SECURITIES: Stocks, bonds, other securities, and some certificates of deposit that are purchased, sold, and held as electronic computer entries on the records of a central holder. These securities are not available for purchase in physical form; buyers get a receipt or confirmation as evidence of ownership.

BOOK VALUE: The original cost of the security as adjusted for amortization of any premium paid or accretion of discount since the date of purchase.

BROKER: A party who brings buyers and sellers together. Brokers do not take ownership of the property being traded. They are compensated by commissions. They are not the same as dealers; however, the same firms that act as brokers in some transactions may act as dealers in other transactions.

CALLABLE BOND: A bond that the issuer has the right to redeem prior to maturity at a specified price. Some callable bonds may be redeemed on one call date while others may have multiple call dates. Some callable bonds may be redeemed at par while others can be redeemed only at a premium. Some callable bonds are step-up bonds that pay an initial coupon rate for the first period, and then the coupon rate increases for the following periods if the bonds are not called by the issuer.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a certificate. Large-denomination (over \$100,000) CD's are typically negotiable.

CODE: The Internal Revenue Code of 1986, as amended.

COLLATERAL: Securities, evidence of deposit or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COLLATERALIZED MORTGAGE OBLIGATION (CMO): A type of mortgage-backed security created by dividing the rights to receive the principal and interest cash flows from an underlying pool of mortgages in separate classes or tiers.

COMMERCIAL PAPER: Short-term unsecured promissory notes issued by corporations for a maturity specified by the buyer. It is used primarily by corporations for short-term financing needs at a rate which is generally lower than the prime rate.

CONFIRMATION: The document used to state in writing the terms of the trade which had previously been agreed to verbally.

COUPON RATE: The stated annual rate of interest payable on a coupon bond expressed as a percentage of the bond's face value.

CREDIT RISK: The risk that (1) the issuer is downgraded to a lower quality category and/or (2) the issuer fails to make timely payments of interest or principal.

CUSIP NUMBER: A nine-digit number established by the Committee on Uniform Securities Identification Procedures that is used to identify publicly traded securities. Each publicly traded security receives a unique CUSIP number when the security is issued.

CUSTODY: The service of an organization, usually a financial institution, of holding (and reporting) a customer's securities for safekeeping. The financial institution is known as the custodian.

DEALER: A firm which buys and sells for its own account. Dealers have ownership, even if only for an instant, between a purchase from one party and a sale to another party.

They are compensated by the spread between the price they pay and the price they receive. Dealers are not the same as brokers; however, the same firms which act as dealers in some transactions may act as brokers in other transactions.

DELIVERY VERSUS PAYMENT (DVP): The safest method of settling a trade involving a book entry security. In a DVP settlement, the funds are wired from the buyer's account and the security is delivered from the seller's account in simultaneous, interdependent wires.

DEPOSITORY TRUST COMPANY (DTC): An organization that holds physical certificates for stocks and bonds and issues receipts to owners. Securities held by DTC are immobilized so that they can be traded on a book entry basis.

DERIVATIVE: A security that derives its value from an underlying asset, group of assets, reference rate, or an index value. Some derivatives can be highly volatile and result in a loss of principal in changing interest rate environments.

DISCOUNT: The amount by which the price paid for a security is less than its face value.

DISCOUNT SECURITIES: Securities that do not pay periodic interest. Investors earn the difference between the discount issue price and the full face value paid at maturity.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns, to reduce risk inherent in particular securities.

DURATION: A sophisticated measure of the weighted average maturity of a bond's cash flow stream, where the present values of the cash flows serve as the weights.

ECONOMIC CYCLE (BUSINESS CYCLE): As the economy moves through the business cycle, interest rates tend to follow the levels of production, output, and consumption - rising as the economy expands and moves out of recession and declining after the economy peaks, contracts, and heads once again into recession.

EFFECTIVE MATURITY: The average maturity of a bond, given the potential for early call. For a non-callable bond, the final maturity date serves as the effective maturity. For a callable bond, the effective maturity is bounded by the first call date and the final maturity date; the position within this continuum is a function of the call price, the current market price, and the reinvestment rate assumed.

FACE VALUE: The principal amount due and payable to a bondholder at maturity; par value. Also, the amount on which coupon interest is computed.

FAIL: The event of a securities purchase or sale transaction not settling as intended by the parties.

FAIR VALUE: The amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that insures bank deposits.

FEDERAL FARM CREDIT BANKS (FFCB): A government-sponsored corporation that was created in 1916 and is a nationwide system of banks and associations providing mortgage loans, credit, and related services to farmers, rural homeowners, and agricultural and rural cooperatives. The banks and associations are cooperatively owned, directly or indirectly, by their respective borrowers. The Federal Farm Credit System is supervised by the Farm Credit Administration, an independent agency of the U.S. government. (See Government Sponsored Enterprise)

FEDERAL FUNDS: Monies within the Federal Reserve System representing a member bank's surplus reserve funds. Banks with excess funds may sell their surplus to other banks whose funds are below required reserve levels. Normally, Federal funds are employed in settling all government securities transactions. The Federal Funds Rate is the rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

FEDERAL HOME LOAN BANKS (FHLB): Government-sponsored wholesale banks (currently twelve regional banks) which lend funds and provide correspondent banking services to member commercial bank, thrift institutions, credit unions and insurance companies. The mission of the FHLBs is to liquefy the housing related assets of its members who must purchase stock in their district Bank. (See Government Sponsored Enterprises)

FEDERAL HOME LOAN MORTGAGE CORPORATION (FHLMC or "Freddie Mac"): A government-sponsored corporation that was created in July 1970, by the enactment of Title III of the Emergency Home Finance Act of 1970. Freddie Mac was established to help maintain the availability of mortgage credit for residential housing, primarily through developing and maintaining an active, nationwide secondary market in conventional residential mortgages. (See Government Sponsored Enterprises)

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA or Fannie Mae): FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae is a private stockholder-owned corporation. FNMA securities are highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest. (See Government Sponsored Enterprises)

FEDERAL OPEN MARKET COMMITTEE (FOMC): Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank presidents. The president of the New York Federal Reserve Bank is a permanent member while the other presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of government securities in the open market as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM: The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., twelve regional banks and about 5700 commercial banks that are members of the system.

FIXED-INCOME SECURITY: A financial instrument promising a fixed amount of periodic income over a specified future time span.

GOVERNMENT-SPONSORED ENTERPRISES (GSE's): Payment of principal and interest on securities issued by these corporations is not guaranteed explicitly by the U.S. government, however, most investors consider these securities to carry an implicit U.S. government guarantee. The debt is fully guaranteed by the issuing corporations. GSE's include: Farm Credit System, Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation, and Federal National Mortgage Association.

INSTRUMENTALITIES: See Government-Sponsored Enterprises

INTEREST RATE RISK: The risk that the general level of interest rates will change, causing unexpected price appreciations or depreciations.

LADDERED MATURITY STRATEGY: A maturity pattern within a portfolio in which maturities of the assets in the portfolio are equally spaced. Over time, the shortening of the remaining lives of the assets provides a steady source of liquidity or cash flow. Given a normal yield curve with a positive slope this passive strategy provides the benefit of being able to take advantage of the higher, longer-term yields without sacrificing safety or liquidity.

LIQUIDITY: An entity's capacity to meet future monetary outflows (whether they are required or optional) from available resources. Liquidity is often obtained from reductions of cash or by converting assets into cash.

LIQUIDITY RISK: The risk that an investment will be difficult to sell at a fair market price in a timely fashion.

MARKET RISK: The risk that the value of a security will rise or decline as a result of changes in market conditions. It is that part of a security's risk that is common to all securities of the same general class (stocks and bonds) and thus cannot be eliminated by diversification; also known as systematic risk.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MARKING-TO-MARKET: The practice of valuing a security or portfolio according to its market value, rather than its cost or book value.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties to repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer to liquidate the underlying securities in the event of default by the seller.

MATURITY DATE: The date on which the principal or face value of an investment becomes due and payable.

MONEY MARKET INSTRUMENT: Generally, a short-term debt instrument that is purchased from a broker, dealer, or bank. Sometimes the term "money market" with "short-term", defines an instrument with no more than 12 months remaining from the purchase date until the maturity date. Sometimes the term "money market" is used more restrictively to mean only those instruments that have active secondary markets.

MORTGAGE-BACKED SECURITIES (MBS): Securities composed of, or collateralized by, loans that are themselves collateralized by liens on real property.

OFFER: The price asked by a seller of securities. (When purchasing securities, one asks for an offer.)

OPEN MARKET OPERATIONS: Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

OPPORTUNITY COST: The cost of pursuing one course of action measured in terms of the foregone return that could have been earned on an alternative course of action that was not undertaken.

PAR: See Face Value

PFIA OR ACT: The Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended.

POOLED FUND GROUP: An internally created fund of an investing entity in which one or more institutional accounts of the investing entity are invested (as defined by the Public Funds Investment Act).

PREMIUM: The amount by which the price paid for a security exceeds its face value.

PRIMARY DEALER: A group of government securities dealers that submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealers, banks, and a few unregulated firms.

PRINCIPAL: The face or par value of an instrument, exclusive of accrued interest.

PRUDENT PERSON RULE: An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the state. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

QUALIFIED REPRESENTATIVE: A person who holds a position with - and is authorized to act on behalf of - a business organization (as defined by the Public Funds Investment Act).

RATE OF RETURN: The amount of income received from an investment, expressed as a percentage. A market rate of return is the yield that an investor can expect to receive in the current interest-rate environment utilizing a buy-and-hold to maturity investment strategy.

REINVESTMENT RATE: The interest rate earned on the reinvestment of coupon payments.

REINVESTMENT RATE RISK: The risk that the actual reinvestment rate falls short of the expected or assumed reinvestment rate.

REPURCHASE AGREEMENT (RP or REPO): An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement of the first party to repurchase the securities at a specified price on demand or at a specified later date. The difference between the selling price and the repurchase price provides the interest income to the party that provided the funds. Every transaction where a security is sold under an agreement to be repurchased is a repo from the seller/borrower's point of view and a reverse repo from the buyer/lender's point of view.

REVERSE REPURCHASE AGREEMENT: (See Repurchase Agreement)

SAFEKEEPING: A procedure where securities are held by a third party acting as custodian for a fee.

SECONDARY MARKET: A market made for the purchase and sale of outstanding issues following the initial distribution.

SECURITIES AND EXCHANGE COMMISSION (SEC): Agency created by Congress to protect investors in securities transactions by administering securities legislation.

SECURITIES LENDING: The temporary transfer of securities by one party, the lender, to another, the borrower. The securities borrower is required to provide acceptable assets as collateral to the securities lender in the form of cash or other securities. If the borrower provides securities as collateral to the lender, it pays a fee to borrow the lent securities. If it provides cash as collateral, the lender pays interest to the borrower and reinvests the cash at a higher rate.

SEC RULE 15C3-1: See Uniform Net Capital Rule

STRUCTURED NOTES: Debt obligations whose principal or interest payments are determined by an index or formula.

SEPARATELY INVESTED ASSET: An account or fund of a state agency or local government that is not invested in a pooled fund group (as defined by the Public Funds Investment Act).

SPREAD: Most commonly used when referring to the difference between the bid and asked prices in a quote. Additionally, it may also refer to additional basis points that a non-Treasury security earns over and above a Treasury with a comparable maturity date.

STRIPS: Separation of the principal and interest cash flows due from any interest-bearing securities into different financial instruments. Each coupon payment is separated from the underlying investment to create a separate security. Each individual cash flow is sold at a discount. The amount of the discount and the time until the cash flow is paid determine the investor's return.

SWAP: The trading of one asset for another. Sometimes used in active portfolio management to increase investment returns by "swapping" one type of security for another.

TOTAL RETURN: Interest income plus capital gains (or minus losses) on an investment.

TREASURY BILLS: A non-interest bearing discount security issued by the U.S. Treasury, generally having initial maturities of 3 months, 6 months, or 1 year.

TREASURY BONDS: Long-term, coupon bearing U.S. Treasury securities having initial maturities of more than 10 years.

TREASURY NOTES: Intermediate-term, coupon bearing U.S. Treasury securities having initial maturities of 2 - 10 years.

UNIFORM NET CAPITAL RULE: Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called *net capital rule* and *net capital ratio*. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

YIELD TO MATURITY (YTM): The promised return assuming all interest and principal payments are made and reinvested at the same rate taking into account price appreciation (if priced below par) or depreciation (if priced above par).

AGENDA MEMO
BUSINESS OF THE CITY COUNCIL
CITY OF WEST UNIVERSITY PLACE, TEXAS

AGENDA OF:	08/13/2018	AGENDA ITEM:	4D
DATE SUBMITTED:	08/07/2018	DEPARTMENT:	Public Works
PREPARED BY:	P. Walters, Operations Supt.	PRESENTER:	D. Beach, Assist. City Manager/PW Dir.
SUBJECT:	Interlocal agreement with Harris–Galveston Subsidence District		
ATTACHMENTS:	H-GSD Interlocal Agreement		
EXPENDITURE REQUIRED:	\$109,380		
AMOUNT BUDGETED:	\$109,380		
ACCOUNT NO.:	401-5050-74090 Water and Sewer Fund		
ADDITIONAL APPROPRIATION REQUIRED:	N/A		
ACCOUNT NO.:	N/A		

EXECUTIVE SUMMARY

West University Place has participated in the Water Wise Education Program (WWEP) in partnership with the Harris-Galveston Subsidence District (H-GSD) since 1998. Our participation in this regional program allows the City to receive and utilize groundwater credits, which increases our ability to permit groundwater production up to 50% of our total water procurement annually.

The WWEP represents that water saved equals 1,400 gallons per year per student sponsored for a five year period. The H-GSD considers this conservation/public education program to be an excellent method to establishing water conversation mindset early in life and ensuring that children become good stewards of our natural resources.

The groundwater credits earned through the WWEP participation allows the city to offset a portion of the purchase cost for 244,000,000 gallons of water which would cost the City approximately \$747,616 to purchase that water from our current surface water provider (City of Houston).

The total cost for participating in the WWEP is approximately \$297,680 per year (groundwater production cost of \$188,300 and WWEP cost of \$109,380). The net savings to the City for participating in this program is estimated at \$449,900 per year.

Funding for this annual program is requested during our Annual Budget process and participation in this program is dependent upon approval of the budget request in the 2018 Budget.

The agreement has been reviewed and approved as to legal form by our City Attorney.

RECOMMENDATION

Staff recommends that the City Council approves the Interlocal Agreement with the Harris-Galveston Subsidence District and authorizes the City Manager to execute this agreement.

STATE OF TEXAS §
COUNTY OF HARRIS §

INTERLOCAL AGREEMENT

This Interlocal Agreement ("Agreement") entered into by and between the Harris-Galveston Subsidence District, a body corporate and politic under the laws of the State of Texas ("Subsidence District") and City of West University, also a body corporate and politic under the laws of the State of Texas ("Sponsor").

WITNESSETH:

THAT WHEREAS, the Subsidence District is the regulatory agency responsible for preventing subsidence through reduction of groundwater withdrawals, governed by Chapter 8801, Special District Local Laws Code, which specifically provides that the Subsidence District may cooperate with "any local government to establish water conservation goals, guidelines, and plans to be used within the district"; and

WHEREAS, the Subsidence District cannot achieve water conservation goals without the cooperation and assistance of the public water supply systems; and

WHEREAS, the Subsidence District has designed a program to increase water conservation through education of elementary and intermediate students administered through the public schools and other water conservation program objectives and initiatives; and

WHEREAS, this education of elementary and intermediate students, "Be a Water Detective - Learning to be WaterWise" has been tested in several area schools; and

WHEREAS, the plumbing retrofit devices used as part of the elementary and intermediate school education program have been tested in the Harris County Municipal Utility District No. 55, jointly sponsored by that District, the Texas Water Development Board, and the Subsidence District, and have demonstrated an average savings of 1,400 gallons of water per month per kit utilized and properly installed; and

WHEREAS, the Sponsor is also dedicated to conserving water supplies and providing outstanding service to their customers and taxpayers; and

WHEREAS, the governing bodies of the Subsidence District and the Sponsor have duly authorized this Agreement; and

WHEREAS, this Agreement is made pursuant to Chapter 791, Tex. Gov. Code, the Interlocal Cooperation Act;

NOW THEREFORE, for and in consideration of the mutual promises and representations herein contained, the parties hereby agree as follows:

I.

PROGRAM ADMINISTRATION

1.01 The Subsidence District will coordinate the Program by doing the following tasks:

(A) Purchase and distribute the school curriculum and home retrofit kits, including the teacher's guide, teaching aids, internet supporting materials, and mobile applications.

(B) Provide in-service training to teachers and provide all support functions such as slide presentations, video presentations, publications, and program outlines.

(C) Conduct an evaluation of the program, collecting and analyzing voluntarily provided evaluation forms from teachers, students, administrators and parents, and provide the evaluation results to the Sponsor.

(D) Provide information related to other water conservation program objectives and initiatives.

(E) Provide all necessary documentation to the Texas Education Agency, Texas Water Development Board, and Texas Commission on Environmental Quality.

1.02 The Subsidence District shall provide water conservation credits as follows:

(A) The Sponsor shall receive a Certificate of Deposit water conservation credit equal to 84,000 gallons of groundwater (which equals 1,400 gallons per month for five years) for each student sponsored in the Program.

(B) The Sponsor may hold, transfer, sell, or redeem the Certificates of Deposit at any time, provided however, that the Certificates of Deposit will be honored by the District for no longer than 20 years after the date the Certificate of Deposit is issued.

(C) Redemption of the Certificate of Deposit requires the Subsidence District to increase the redeemer's groundwater allocation by the amount of the water conservation credit, provided however, that Certificates of Deposit issued beginning with the 2001-2002 school year (Series B) may only be applied

to a maximum of 30% of the permittee's total water demand. This absolute right to increase the groundwater allocation by up to 30% of the permittee's total water demand does not in any way affect the other terms and conditions of the groundwater permit and all groundwater withdrawals will be subject to the permit fees and other rules of the District in effect at the time of the permit.

1.03 The Subsidence District shall perform all coordination activities without additional charge to the Sponsor. The Sponsor may assist in any coordination activities and may participate in any phase of the program at its own discretion.

II. PAYMENT

2.01 The sponsor agrees to sponsor school(s) at West University Elementary and other Harris and Galveston County Sschools. The sponsor agrees to sponsor 3,000 3rd, 4th, 5th, and 6th grade students in the WaterWise program in the 2018-2019 school year.

2.02 The Sponsor hereby agrees to pay to the Subsidence District, promptly upon receipt of an invoice from the Subsidence District, the total amount due, which is equal to \$36.46 per student sponsored. The above payment shall provide sponsorship for the above listed school(s) for one year. The amount of the invoice shall be calculated using the actual enrollment in the named schools for each year of the Project.

2.03 From time-to-time the Sponsor may seek to adjust the number of students sponsored by providing a written request to the Subsidence District, subject to the availability of schools willing to participate in the project.

2.04 The Sponsor agrees to pay a similar amount, adjusted for the actual cost of the sponsorship kit and the number of students sponsored, each year for the term of this Agreement.

2.05 This cost represents the sole monetary obligation of the Sponsor in exchange for and in consideration of the Subsidence District's obligations hereunder.

III.
TERM AND TERMINATION

3.01 The term of this Agreement shall be from the effective date hereof until termination of the 2018-2019 school year. This agreement may be renewed annually with written authorization of the Sponsor and approval of that authorization by the General Manager of the Subsidence District.

3.02 The Certificates of Deposit in the Groundwater Bank shall be transferred to the custody of the Sponsor upon receipt of payment from sponsor, and shall be honored by the Subsidence District for no longer than 20 years after the date the Certificate of Deposit is issued.

IV.
MISCELLANEOUS

4.01 Subsidence District is engaged as an independent contractor, and all of the services provided for herein shall be accomplished by Subsidence District in such capacity. The Sponsor will have no control or supervisory powers as to the detailed manner or method of the Subsidence District's performance of the subject matter of this Agreement. All personnel supplied or used by the Subsidence District shall be deemed employees or subcontractors of the Subsidence District and will not be considered employees, agents or subcontractors of the Sponsor for any purpose whatsoever.

4.02 Each party to the contract is paying for the performance of the contract from current revenues and will pay for each subsequent year this agreement continues from the revenues budget for that year. The parties agree that each party is paying fair compensation for the services or products rendered.

4.03 This Agreement merges the prior negotiations and understandings of the parties hereto and embodies the entire agreement of the parties, and there are no other agreements, assurances, conditions, covenants (expressed or implied) or other terms with respect to the Project, whether written or verbal, antecedent or contemporaneous with the execution hereof.

4.04 The Subsidence District may not assign or delegate any portion of its performance under this Agreement without the written consent of the Sponsor.

4.05 The Subsidence District shall remain obligated under all clauses of this Agreement that expressly or by their nature extend beyond the expiration or termination of this Agreement, including the obligation to honor Certificates of Deposit in the Groundwater Bank as provided in Section 1.02.

IN WITNESS WHEREOF, the parties put their hands to this Agreement on the dates indicated below. This Agreement shall be effective on the date of the last signature hereto.

SPONSOR

By: _____ (Title)

ATTEST:

By: _____
(Title)

Date: _____

HARRIS-GALVESTON SUBSIDENCE DISTRICT



By: Robert Thompson, Deputy General Manager

ATTEST:



By: Gregory M. Ellis, General Counsel

Date: 7/5/2018